

# CURRENT HISTORY

A WORLD AFFAIRS JOURNAL

MARCH, 1991

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# Current History

FOUNDED IN 1914

MARCH, 1991  
VOLUME 90 NO. 554

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Current History (ISSN-0011-3530) is published monthly (except June, July and August) for \$29.00 per year by Current History, Inc., 4225 Main Street, Philadelphia, Pa. 19127. Second class postage paid at Phila., Pa., and additional mailing offices. Postmaster: send address changes to *Current History*, 4225 Main Street, Philadelphia, Pa. 19127. Indexed in *The Reader's Guide to Periodical Literature*, *The Abridged Reader's Guide*, *Book Review Index (BRI)*, *ABC POL SCI*, *PAIS*, *SSCI* and *America: History and Life*. Indexed on-line by *DIALOG*, *BRS* and *Information Access Magazine Index*. Microfilm: University Microfilms, Ann Arbor, Mich. No responsibility is assumed for the return of unsolicited manuscripts. Copyright © 1991 by Current History, Inc.

# Current History

MARCH, 1991

VOL. 90, NO. 554

*Mexico and the nations of Central America face a variety of difficulties. Mexico has firmly embraced free market policies that have yet to narrow the gap between the "haves" and the "have nots," while Cuba remains resolutely attached to a brand of communism that has few adherents elsewhere. Nicaragua, El Salvador and Guatemala struggle with the economic and social effects of civil war, and Panama looks to the United States for aid to resuscitate an economy suffering from years of dictatorial rule and the United States invasion in 1989. The United States, however, seems unsure about the focus of its policy toward the region. As our introductory article notes, the United States "must design a new road map for United States-Central American relations without the familiar and even comfortable markers of the cold war."*

## United States Policy in Central America

BY CYNTHIA J. ARNSON

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and

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**W**HEN George Bush took office as President of the United States in January, 1989, Central America was a major poison in United States domestic politics. Whatever support there had once been for President Ronald Reagan's policy in Nicaragua had vanished after the Iran-contra affair came to light.<sup>1</sup> Wrenching debates over El Salvador and over support for the Nicaraguan resistance (contras) during the Reagan administration had left a reservoir of ill will between Congress and the executive branch. The bitterness of the debate left protagonists as well as regional actors confused and angry.

A regional peace plan designed by Costa Rican President Oscar Arias Sánchez gained momentum as domestic criticism of President Reagan's Central American policies mounted, culminating in Arias's February, 1989, call for the disarming of the Nicaraguan contras.

In El Salvador, the conservative National Re-

<sup>1</sup>In November, 1986, the Justice Department revealed that profits from the secret sale of arms to Iran had been diverted to the Nicaraguan resistance (contras). The diversion circumvented a congressional ban on military aid to the contras, as did other efforts by senior administration officials to raise money for the contras from private and third-country sources. Congress held investigations into the Iran-contra matter and several high-ranking Reagan administration officials were convicted of illegal activities. Those convictions are still on appeal.

publican Alliance (ARENA) won the March, 1989, presidential and legislative elections. The United States Congress, which had been complacent about El Salvador since the 1984 election of Christian Democrat José Napoleón Duarte to the presidency, renewed its focus on ARENA's alleged connections to death squads and on a \$3.5-billion aid program that had brought neither military victory nor social peace.

These two contexts—domestic and regional—shaped the orientation of policy under President Bush. Secretary of State James A. Baker 3d seemed anxious to quiet the domestic passions of the Central America debate, settle the crises in the region and move on to the larger issues of Europe and United States relations with the Soviet Union, which have traditionally defined United States foreign policy. Within weeks of his confirmation by the Senate, Baker negotiated a bipartisan agreement with Congress over aid to the contras, who sought a graceful exit from the failed policy of ousting the Sandinista government by military force. In sharp contrast to Reagan administration policy, the accord recognized Congress's role in continuing or ending aid to the contras and made Arias's Central American peace plan the framework for resolving Nicaragua's conflict.

Major changes in the Soviet Union also con-



tributed to the effort to downgrade Central America as a foreign policy issue. As Soviet President Mikhail Gorbachev's domestic economic difficulties grew and as popular movements overthrew East European satellite regimes, Soviet policies underwent major revision. The Bush administration would undoubtedly claim credit for the Soviet Union's decision to reduce aid to Nicaragua before Nicaragua's February, 1990, elections, and for Soviet commitments to stop supplying weapons to El Salvador's guerrillas and to pressure its allies to follow suit; but such revisions of Soviet interests appear to have been already under way. Even if the Bush administration deserves credit for creatively engaging the Soviet Union in the search for peace in Central America, its ability to do so had as much to do with changes in United States policy as it did with changes in Soviet policy. Moreover, linking improvements in United States-Soviet relations to Soviet behavior in Central America allowed Secretary of State Baker to play to domestic audiences and reassure Republican conservatives that a lower United States profile in the region was not a sellout of United States interests.

The initial high road of diplomacy and domestic reconciliation was difficult to sustain, as the problems in Central America proved more intractable than Baker or President Bush would have admitted. A yearlong multilateral effort by the Organization of American States (OAS) to force Panamanian strongman General Manuel Antonio Noriega from power after he lost national elections in May, 1989, culminated in the landing of 25,000 United States troops just before Christmas, 1989—an act recalling the days of gunboat diplomacy. In addition, a major guerrilla offensive in El Salvador in November, 1989, that brought the government to the brink of collapse, and the killing of six Jesuit priests, their housekeeper and her daughter by Salvadoran soldiers that same month, brought out some of the worst cold war tendencies in United States policy.

The Bush administration called for a negotiated settlement in El Salvador and for the prosecution of those responsible for murdering the Jesuits. How-

ever, the administration downplayed the Salvadoran high command's cover-up of the murders and opposed congressional cuts in military aid. In Guatemala the administration cut a token \$3-million military aid program in response to the army's killing of a United States citizen, but United States-aided anti-drug efforts remained tied to the notorious G-2 military intelligence service, which has long been a center of death squad activity.<sup>2</sup>

The Bush administration must design a new road map for United States-Central American relations without the familiar and even comfortable markers of the cold war. The administration's policy toward Nicaragua, El Salvador and Panama has shown an uncertain departure from cold war assumptions and includes a still large dose of the hegemonic presumptions that have shaped a century of policy toward the region.<sup>3</sup>

## NICARAGUA

The possibilities for and the limitations of United States policy toward Central America in the post-cold war era can be seen most clearly in Nicaragua. The March, 1989, bipartisan accord over aid to the contras marked the end of Reagan Doctrine efforts to roll back Soviet influence by arming local guerrilla forces. Before reaching this agreement with Congress, the Bush administration had tried to head off a call by Central American Presidents meeting in Tela, Honduras, to disband the contras before Nicaragua held elections in February, 1990; but after failing in this, the administration cut its losses. The bipartisan agreement between the administration and Congress allowed regular installments of nonlethal contra aid and envisioned the voluntary return to Nicaragua of demobilized contra fighters.

Later in the year, after Sandinista political opponents had nominated Violeta Barrios de Chamorro as their presidential candidate, the administration sought, and Congress approved, \$9 million to assist opposition political activities in Nicaragua. While the Reagan administration had justified its sponsorship of the contra war in the name of democracy, the Bush administration saw elections as the means of ridding Nicaragua of the Sandinistas. Secretary Baker told Congress that the \$9 million in electoral aid was necessary to "level the playing field" to offset Sandinista campaigning advantages. In reality, the funds represented an overt subsidy to Violeta Chamorro's National Opposition Union (UNO), a boost that was as much psychological as material.<sup>4</sup>

Chamorro routed the Sandinista candidate, President Daniel Ortega Saavedra, in an overwhelming upset on February 25, 1990. President Bush immediately called for a cease-fire, saying "there is no

<sup>2</sup>See Kenneth Freed, "U.S. Is Taking a New Tack in Guatemala," *Los Angeles Times*, May 7, 1990.

<sup>3</sup>See Abraham Lowenthal, "The United States and Latin America: Ending the Hegemonic Presumption," *Foreign Affairs*, vol. 55, no. 1 (Fall, 1976), pp. 199-213.

<sup>4</sup>All but several hundred thousand dollars of the \$9 million was held up until just weeks before the elections, although prior appropriations of more than \$3 million had been available throughout most of 1989. See Cynthia J. Arnson and Johanna Mendelson, "Projecting Democracy in Central America: New Wine, Old Bottles?" in Louis Goodman, Johanna Mendelson and William Leogrande, eds., *Political Parties and Democracy in Central America* (forthcoming, 1991).

reason at all for further military activity from any quarter." A high-level United States emissary traveled to contra base camps in Honduras, and Vice President Dan Quayle met with contra leaders in Washington, D.C., to urge the contras to disarm; the administration feared that a failure to do so before Chamorro's inauguration might prevent an orderly transfer of power. President Bush lifted the five-year-old United States economic embargo against Nicaragua before Ortega left office, and Vice President Quayle met with the outgoing Nicaraguan President several times while attending the inauguration of Chilean President Patricio Aylwin in mid-March. President Bush requested a \$300-million aid package to assist the new Chamorro government in reconstruction. Congress approved the package, along with \$420 million for Panama, in late May.

But then the relationship went sour. Key officials reportedly were disturbed by Chamorro's conciliatory policy toward the Sandinistas, viewing it as appeasement. Administration officials and some members of the UNO coalition opposed Chamorro's decision to retain Sandinista Defense Minister General Humberto Ortega Saavedra as head of the Nicaraguan army. Reports in the United States press revealed that the Bush administration had slowed the delivery of economic aid; analysts linked this to Chamorro's failure to implement strict austerity measures, itself a reflection of other cooperation with the Sandinistas. (By year's end, about one-third of the "emergency" \$300 million had been delivered, according to the *Wall Street Journal* of December 17, 1990.) Moreover, a senior United States official interviewed in Managua in November threatened that Nicaragua's failure to drop its 1984 World Court claim<sup>5</sup> against the United States could affect United States aid in the future.

The slow delivery of aid may also reflect the Agency for International Development's cumbersome bureaucracy and United States preoccupation with Iraq's invasion of Kuwait in August. But the Bush administration's support for a democratic transition in Nicaragua may be compromised by the shortage of funds for economic recovery and by a United States effort to back UNO's right wing in its crusade to eliminate Sandinista influence in the country. By continuing President Reagan's policy of pushing Central American governments to the right, the Bush administration may help destroy the basis for political reconciliation and stability within

Nicaragua, possibly even re-creating the conditions that make civil war more likely.

## EL SALVADOR

Bush administration policy toward El Salvador has reflected a similar combination of pragmatism and tentative re-accommodation, although attempts to cast off the Reagan legacy have been more halting in El Salvador than in Nicaragua. Because the Salvadoran army remains the key to preventing leftist guerrillas from seizing power, Bush administration policy has been hostage to the hard-line officer corps. Bush administration officials have spoken about the need to safeguard human rights and have abandoned the futile quest for military victory over the rebels. But shifts in the emphasis of policy have been diminished by the administration's inability or unwillingness to pressure the Salvadoran army to undertake the reforms crucial to peace.

The Bush administration took initial steps to distinguish itself from its predecessor by sending Vice President Quayle to San Salvador in February, 1989, to show United States concern for human rights. Quayle traveled to El Salvador again in June, 1989, following the inauguration of President Alfredo Cristiani, reportedly to warn party leaders that a resurgence of death squad activity would jeopardize United States assistance. But the visits had little effect. Prosecutions in two major human rights cases involving army officers, singled out by United States officials, did not proceed. In response, the United States quietly suspended \$2 million in aid in the summer of 1990.

The routine frustration of dealing with the Salvadoran army's impunity for human rights violations gave way to the problems of crisis management in November, 1989, when a nationwide guerrilla offensive threatened the government's hold on the capital. During the offensive, soldiers of the elite, United States-trained Atlacatl battalion dragged six Jesuit priests from their beds on the campus of El Salvador's José Simeón Cañas University and murdered them. The killing of these prominent intellectuals unleashed a firestorm of international protest. The murders posed the most dramatic test of United States policy since the execution of four United States churchwomen almost a decade earlier.

The Bush administration's response to the guerrilla offensive was positive in one respect—it led to direct public calls for a negotiated settlement to the conflict. One day after the killings, Assistant Secretary of State for Inter-American Affairs Bernard Aronson said there should be movement "to negotiate an end to the conflict in El Salvador and guarantee safe space in the democratic process for

<sup>5</sup>The International Court of Justice (World Court) at the Hague ruled in 1986 that United States sponsorship of the contra war and its mining of Nicaragua's harbors constituted violations of international law. The Court ordered the United States to pay reparations, and the Nicaraguan government subsequently requested \$12 billion. The United States withdrew from the World Court in response to Nicaragua's lawsuit.

all." Aronson told a House subcommittee in January, 1990, that "the only path to peace is at the negotiating table." These statements represented a profound shift in administration policy, and amounted to a recognition that the Salvadoran army could not, as the Reagan administration had long assumed, prevail over the guerrillas.

Behind the United States position, however, lay a deep skepticism, if not utter disbelief, that the guerrillas were interested in talks. Since negotiations began between the rebels and the Salvadoran government under United Nations (UN) auspices in April, 1990, Bush administration officials have repeatedly condemned positions taken by the guerrillas while saying little about the army's unwillingness to accept reforms. Throughout nine months of dialogue, the Bush administration seemed more interested in bolstering the hand of President Cristiani than in facilitating the work of UN negotiators, even though these efforts on behalf of the Salvadoran government helped shield the army from pressure to purge its ranks and reorganize the security forces implicated in human rights abuses.

United States policy has been most deficient with regard to the murders of the Jesuits. While stressing the importance of the case to United States policy, senior administration officials initially attempted to blame the crime on the guerrillas, despite strong evidence implicating the army. After President Cristiani said in January, 1990, that a colonel and eight other soldiers were responsible for the murders, officials at the United States embassy and State Department sought to limit the investigation to those named, even though there was evidence suggesting a broader conspiracy. Most striking, the administration reportedly suppressed testimony from a United States military adviser in El Salvador that the high command had foreknowledge of a plot to kill the priests ten days before they were murdered.<sup>6</sup> Even if the adviser's statement did not directly implicate other officers in the actual murders, it entangled the high command in a cover-up of the crime.

The Jesuit killings cracked the domestic consensus over El Salvador policy that had been forged mid-decade. Congress cut military aid to El Salvador by 50 percent in the spring and summer of 1990, over objections by the Bush administration.

<sup>6</sup>The testimony of Major Eric Buckland was withheld from Salvadoran investigators and from a House task force looking into the killings headed by Representative Joe Moakley (D., Mass.). After he gave his statement in January, 1990, Buckland was reportedly pressured by United States officials into recanting his testimony, even though officials recognized the information in it as correct. See Speaker's Task Force on El Salvador, *Interim Report*, Washington, D.C., April 30, 1990; and *Newsweek*, "Cracking the Major," November 19, 1990.

The reduction was called into question, however, in January, 1991, when Salvadoran Farabundo Martí National Liberation Front guerrillas shot down a United States helicopter in El Salvador and then executed two military advisers who had survived the crash.

## PANAMA

Unlike it had done elsewhere in Central America, the Reagan administration made no pretext of calling Panama a democracy in order to justify its policy there. Panamanian strongman General Manuel Antonio Noriega was a useful, albeit sometimes feckless, ally in the war against drugs and in the war against the Sandinistas. Moreover, United States military strategy in the region, including the 1983 invasion of Grenada, depended on secure United States basing facilities in Panama.

But the Reagan administration invoked economic sanctions against Panama early in 1988 after Noriega fired civilian President Eric Arturo Delvalle. Noriega survived two coup attempts and a steadily disintegrating economy. Meanwhile, he had been indicted in the United States for drug trafficking.

The United States still considered the scheduled May, 1989, elections the best way to rid Panama of Noriega, who was now a tremendous foreign policy liability. But in full view of international observer delegations and the media, Noriega and his military forces refused to honor the results of the elections, which had brought a resounding victory to the United States-backed opposition. So-called "dignity battalions" rampaged through the streets, beating opposition leaders, including the President- and the Vice President-elect. Following the elections, the United States tightened economic sanctions and mobilized the Organization of American States to negotiate Noriega's exit.

To its credit, the Bush administration worked with major regional allies to convince Noriega to step down. But the failure of the OAS to resolve the transition in Panama, coupled with an aborted coup on October 3, 1989, set the stage for unilateral action.

The coup attempt was led by a group of Panamanian Defense Force (PDF) officers. Its failure de-

(Continued on page 136)

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*"It is hard to predict whether the combination of a partial political opening for the compliant and repression for the defiant will maintain social stability in Cuba," writes this specialist, who points out that "there is no doubt that the Cuban people are becoming increasingly disgruntled with the system."*

## Cuba in Crisis

BY GILLIAN GUNN

*Senior Associate, Carnegie Endowment for International Peace*

THE Cuban Revolution is facing the most severe crisis in its 32-year history. The collapse of allied governments in East Europe has disrupted trade relations and heartened the regime's opponents by providing proof of socialism's reversibility. Cuban strongman Fidel Castro's key ally, the Soviet Union, is itself wracked by economic and political problems that are not only reducing aid to Cuba, but may lead to the dissolution of the Soviet Union. These developments are occurring at a time when Cuba's relations with the United States are particularly poor, a generation born after the revolution is showing signs of restiveness, and the Cuban economy is already suffering from foreign exchange shortages and debt problems.

Many Western observers view these circumstances and understandably conclude that the Cuban revolution will inevitably collapse in the near future. The only unknowns, they believe, concern when and how that collapse will take place.

A careful examination of the external and internal challenges facing Cuba, however, suggests that, while it is hard to overstate the problems facing Havana, the Cuban system does have some room to maneuver and might conceivably find a way out of its current predicament. Such a study also suggests that United States policy could have a paradoxical effect on Castro's survival prospects.

The forecast that the Cuban revolution may survive is based in part on an evaluation of the external situation Cuba faces. The most serious developments are the changes in the Soviet Union. Under Soviet President Mikhail Gorbachev the Soviet Union has redefined its national interest, and it seeks to base trade and aid relations on economic self-interest, reducing, if not eliminating, the emphasis on ideological and security concerns. Sub-

sidies to third world allies are therefore bound to decline. A careful examination of Soviet-Cuban economic relations suggests, however, that Cuba may not have been as dependent on Soviet assistance as United States government figures suggest. Consequently, although the aid cuts will have an extremely negative impact on the Cuban economy, their net effect may be somewhat less than is generally assumed.

According to the latest United States Central Intelligence Agency (CIA) figures, in 1989 the Soviet Union provided Cuba with \$4.16 billion in economic assistance.<sup>1</sup> Independent scholars have long questioned CIA statistical methods, claiming that they make assumptions designed to inflate the apparent value of the subsidy. For example, they argue that the CIA's calculations do not take into account the poor quality of Soviet-manufactured goods, which make up approximately two-thirds of Soviet shipments to Cuba.

Economic data recently made available by the new governments in East Europe substantiate the latter claim. According to experts in this field, the new information suggests that manufactured goods from the Soviet Union have been overpriced by 20 percent to 40 percent, and ongoing research implies that even these estimates may be on the low side.<sup>2</sup>

In a recent article, A.R.M. Ritter reworked the statistics on the 1987 subsidy, assuming Soviet overpricing of 20 percent and using slightly different statistical assumptions from those employed by the CIA.<sup>3</sup> He came up with a Soviet aid figure 36 percent lower than the CIA's total for that year. If Ritter's calculations are accepted, assuming that Soviet manufactures were actually worth 40 percent less than their claimed value, the 1987 Soviet subsidy would actually be 52 percent lower than the CIA estimate. By applying these percentages to the CIA's 1989 figures, one can postulate that the real value of Soviet aid to Cuba in 1989 may have been between \$1.996 billion and \$2.662 billion.

Another little considered aspect of Cuban-Soviet trade concerns the material benefits of such exchanges for the Soviet Union and its component re-

<sup>1</sup>Directorate of Intelligence, *Handbook of Economic Statistics*, 1990, p. 185.

<sup>2</sup>Interview with Harvey Shapiro, senior associate, Carnegie Endowment for International Peace, December, 1990.

<sup>3</sup>A.R.M. Ritter, "The Cuban Economy in the 1990s: External Challenges and Policy Imperatives," *Journal of Interamerican Studies and World Affairs*, vol. 32, no. 3 (Fall, 1990), p. 126.

publics. One-third of Soviet sugar supplies, half its citrus and 40 percent of its cobalt and nickel ores come from Cuba. While the Soviet Union pays subsidized prices for the first two, any effort to obtain them elsewhere is problematic. It costs more to produce sugar in the Soviet Union than to buy it from Cuba, and the Soviet climate is ill suited to citrus growing.<sup>4</sup> Were Moscow to purchase either crop on the international market, it would have to pay in hard currency rather than in difficult-to-sell manufactured goods the Cubans accept. If Moscow were to shift to other suppliers of nickel, it would have to write off major investments in Cuban mining and refining operations. Furthermore, the Soviet Union has been paying no subsidy to Cuba for nickel purchases since 1988.

The structural integration of the Soviet and Cuban economies was brought home to the Soviet Union in mid-1990. When several Soviet oil shipments failed to arrive in Cuba, one of the first factories the government closed because of energy shortages was the Soviet-financed nickel plant designed primarily to supply Soviet needs.

By far the most important issue for the Cuban economy over the next 12 months will be the manner in which the Soviet Union shifts its trade with Cuba to hard currency, a shift that was officially scheduled to begin January 1, 1991. As this article went to press, Cuban-Soviet negotiations on this matter were still under way. Moscow had agreed that the Cubans will not have to start paying their 15-billion-ruble debt to the Soviet Union in hard currency until 1995; conceded that the current official exchange rate is not realistic; and expressed willingness to negotiate a new rate for repayment purposes.<sup>5</sup> At the current official rate of \$1.60 to the ruble, Cuba's 15-billion-ruble debt would represent \$24 billion. At the more realistic two or three rubles to the dollar (the rate suggested by Western experts in Soviet economics),<sup>6</sup> the Cuban debt to the Soviet Union would be worth between \$5 billion and \$7.5 billion.

Negotiations on other aspects of the shift to hard currency trade were ongoing at press time. Some Western economic experts say that Moscow must be flexible with former Council for Mutual Economic Assistance trade partners, because otherwise it will abruptly lose both markets and supply sources that cannot be quickly replaced on the free market. Moscow may therefore use hard currency

prices initially as an accounting tool, using dollars rather than rubles in its trade statistics but relating prices to world market levels only loosely, gradually bringing prices into line with the international market over time.<sup>7</sup>

Hypothetically speaking, therefore, even a capitalist Soviet Union could find it in its interest to maintain economic relations with a socialist Cuba. Cuba's willingness to accept as part payment poor quality manufactures that are difficult to market elsewhere may be sufficiently attractive to outweigh other considerations. The same could be true if the Soviet Union breaks up into a collection of free market republics. The Cubans have already hosted visits by various republic deputies seeking to establish direct trade contacts with Cuba.

Of course, these scenarios assume that Soviet affairs will be managed by individuals in control of functioning economies and motivated by rational self-interest. Should these assumptions prove inaccurate or should the territory disintegrate into civil unrest with accompanying strikes and transportation disruptions, these considerations would be irrelevant. An abrupt cessation of all Soviet aid, even if its true value is as low as \$2 billion a year, would have a crippling effect on the Cuban economy. In such a circumstance, trade at nonsubsidized prices might also prove impossible, and the Cuban economy would undergo severe stress as it tried overnight to redirect the 70 percent of its commerce currently linked to the Soviet Union.

The Persian Gulf crisis that began in August, 1990, may turn out to be almost as important as the Soviet relationship in determining Cuba's economic options. In mid-1990, 2 million tons of a 13.3-million-ton yearly oil shipment failed to arrive from the Soviet Union, and Havana was forced to turn to the world market for oil just as Iraq's invasion of Kuwait pushed prices up. The government could not afford to compensate for the shortfall and instead imposed severe energy rationing.

If tensions or war in the Middle East region continue to inflate free market oil prices as Soviet supplies to Cuba are trimmed, the Cuban economy may slow to a crawl. In mid-September, 1990, Cuba calculated that at the free market prices for sugar and oil then prevailing (\$29 per barrel in the latter case), Cuba's entire sugar crop would bring in only \$131.5 million more than the cost of importing 10 million barrels of oil. Sugar accounts for about 70 percent of Cuba's exports, suggesting that the export earnings left over for all other imports would be very modest.

While the most important aspects of Cuba's external environment are the Soviet relationship and the Persian Gulf crisis, the regime's prospects will also depend on Havana's ability to build alternative

<sup>4</sup>Gillian Gunn, "Will Castro Fall?" *Foreign Policy*, no. 79 (Summer, 1990), p. 135.

<sup>5</sup>"Cuban Defector Tells of Soviet Cuts," *The New York Times*, September 13, 1990.

<sup>6</sup>Shapiro, interview, op. cit.

<sup>7</sup>Confidential interview with United States government official, Washington, D.C., October, 1990.



trade relations. Cuba hopes to gain additional revenues from new approaches to tourism and high technology exports, and from increasing trade ties with Asia, Latin America and Europe.

Efforts in the tourism sector are bearing modest fruit. In 1988, foreign exchange earnings from tourism were 66 percent above the level of the mid-1980's, reaching \$125 million; in 1989 tourism revenue rose to \$260 million. More than \$800 million in foreign investment has gone into Cuban tourism recently, and in an attempt to attract more funds, the Cuban government now allows majority foreign ownership in this sector.

The high-technology export effort seeks to convert past health care investments into exports of medical equipment and pharmaceuticals. Cuba has developed a number of medicines that are not available elsewhere in the world. In 1989, Havana agreed to exchange about \$100-million worth of Cuban meningitis B vaccine for products supplied by Petrobras, the Brazilian state oil firm. In 1991, the Soviet Union is due to purchase 800-million rubles worth of medicines. Cuba is marketing its own HIV (human immuno-virus, the virus responsible for AIDS, acquired immune deficiency syndrome) detection device, and is manufacturing competitively priced interferon and interleucine-2 produced by its biotechnology center.<sup>8</sup>

The efforts to build new trade alliances in Asia have paid off handsomely, especially with China. In early 1990, the two governments signed an agreement to increase the year's trade to \$500 million, 11 percent over the 1989 level, and since then plans have been finalized for Chinese investment in Cuban factories producing electric fans and bicycles. During the first seven months of 1990, Cuba shipped 20 percent more sugar to China than it did during the same period of 1989. The increase in sugar exports to China, combined with larger sales to Egypt, Mexico and Brazil, meant that Cuba's global sugar exports were only 2.5 percent less than shipments for the same period in 1989, despite sharp drops in sales to East Europe. The exact prices at which the sales were made is not publicly known, however, so the revenue earned may be less than that of previous years. In March, China granted Cuba a 10-year interest-free loan of unspecified proportions, and in June Beijing announced that Cuba was its second largest trade partner "in all of America."<sup>9</sup>

<sup>8</sup>Cuba Business (London), December, 1989.

<sup>9</sup>"PRC Peace, Disarmament Delegation Begins Visit," Havana Television Service, June 26, 1990.

<sup>10</sup>Statistics derived from Economist Intelligence Unit, *Cuba, Dominican Republic, Haiti, Puerto Rico Country Report*, no. 3, 1990, appendices 1 and 2.

<sup>11</sup>"Cuba/Tourism Investment Potential," *Caribbean Report* (London), December 13, 1990.

Cuba has made vigorous efforts to enhance diplomatic and trade relations with Japan, but has been more successful in diplomacy than in trade. Several groups of Japanese businessmen have visited Cuba, the largest being a 51-man delegation in July, 1990, and there has been an array of cultural and diplomatic exchanges. But Japan has yet to make a major investment.

Progress has also been mixed in Latin America. Trade with the region more than tripled between 1985 and 1988. In 1989, Cuba's trade with Brazil increased fivefold, in large part because of the meningitis B contract, and in early 1990 Brazil announced that it was considering investing \$800 million in a joint venture with Cuba to produce the vaccine in Brazil. However, trade relations with the region suffered in the second half of 1990 after Cuba failed to make scheduled payments to Peru, Mexico and Colombia. There have been rumors that Cuba will seek to purchase oil from Mexico and Venezuela, but no deal with either country has yet been announced.

Cuba's attempts to increase trade with the West are hampered by the failure to reschedule its \$6-billion debt to creditor governments. Cuba suspended principal and interest payments in 1986, and Havana is still demanding guarantees of fresh financing before it will resume payments. Western creditors have been unwilling to make the requested assurances, so commerce is on a cash basis. Trade figures were steady in 1989, but in the first three months of 1990, the latest period for which statistics are available, Cuba's trade with Western countries fell by 14 percent.<sup>10</sup> The occupation of the Spanish embassy by Cuban would-be emigrants has created diplomatic problems with Spain, Cuba's main Western trade partner. Havana has shifted contracts toward France, with whom economic relations are already growing.

Over the short to medium term, Cuba will find it difficult to increase conventional trade with Western countries until it breaks the logjam in debt negotiations. The prospects for investment are somewhat better. Cuba's willingness to consider debt-for-equity swaps, the late 1990 announcement that majority foreign ownership will be allowed in certain priority sectors, and Havana's decision to invite two Harvard economists to study possible privatization of the tourist industry could enhance future economic ties with the West.<sup>11</sup>

In sum, as far as the external environment is concerned, the Cuban economy has a fighting chance to make it through the next few years with severe but bearable austerity. If the Persian Gulf crisis is settled, and if the Soviet Union remains in a position to pursue its own self-interest, then the financial hole created by Soviet aid cuts could be partially

filled by revenue from new trade arrangements. If the Middle East and Soviet situations develop differently, however, Cuba could face genuine economic catastrophe.

A final external factor warranting consideration concerns not economics but political psychology. The United States has inadvertently helped Castro consolidate his rule by appealing to nationalism, one of the strongest components of Cuban political culture. Perceived United States threats to Cuban sovereignty, like the March, 1990, start-up of "Television Martí" broadcasts, efforts to extend the United States embargo to third countries, and high-profile military maneuvers near Cuban territory have been heaven-sent opportunities for Castro to wrap himself in the Cuban flag. His argument that Washington hopes to install an exile-led, capitalist government in Cuba after socialism's overthrow has also been strengthened by the appearance of close ties between United States President George Bush's administration and certain exiled leaders.

### INTERNAL FACTORS

Cuba's future depends not only on external developments, but on internal events and policies.

In the spring of 1990, the Cuban Communist party embarked on a reexamination of the country's economic and political structure. Concerned that the Cuban social fabric might contain the same hidden weaknesses that brought down one socialist government after another during the preceding winter, in March the party authorized Raúl Castro (Fidel Castro's brother and Cuba's defense minister) to make a critical speech. Titled the *Llamamiento* ("Call"), the speech announced a new political process in preparation for a 1991 fourth party congress.

The document criticized the party's "dogmatic" tendency to create "false unanimity," which it said "may lead to pretense, double moral standards, or the silencing of opinions." Instead, it called for "consensus . . . based on the recognition that the people may have diverse opinions," and announced a process of "consulting with the masses" to "allow changes that provide solutions to new demands." These "democratic discussions," however, would have to remain "within . . . the revolution." The partial political opening was clearly intended to "perfect socialism," not undermine it.<sup>12</sup>

<sup>12</sup>Raúl Castro Announces Fourth PPC Congress in 1991," Havana Domestic Radio and Television Services, March 16, 1990.

<sup>13</sup>"Shortages in Cuba Force Stringent Rationing Plan," *The Miami Herald*, September 27, 1990; "New Rationing, Distribution Measures Announced," Havana Tele Rebelde Network, September 26, 1990.

Shortly after the speech, a countrywide series of debates was initiated, open to the entire population rather than only to party members. After a slow start, these debates became extremely lively, providing a forum for far more severe criticism than had previously been tolerated, although questioning of the one-party state, Castro's role and socialism was still discouraged.

Much of the discussion focused on economic matters. A variety of reformist recommendations were advocated, including suggestions that:

- the authorities be less preoccupied with maintaining social equality and reward the most productive workers with significant material benefits;
- managers be given more autonomy in decision making and be less constrained by centralized planning;
- the atrocious quality of services and small-scale manufacturing be improved by a process of selective privatization;
- direct links between private farmers and consumers be established.

As the months passed, shortages caused by slow-downs in Soviet deliveries led the government to realize that it could not wait until the fourth congress to make decisions about these various recommendations. In late summer, 1990, Castro announced that the country was entering a "special period in a time of peace"; economic plans previously prepared in case the island were cut off from the outside world by United States aggression were introduced. Interestingly, some of the austerity measures included reformist ideas emerging from the pre-congress debate.

Changes were most dramatic in the key areas of energy, food and consumer goods. As a result of the shortfall in Soviet oil shipments, in August the government announced a 50 percent cut in fuel for state vehicles, a 30 percent cut for private cars and a 10 percent cut in electricity for domestic consumption. Factories began to close down as shortages of spare parts, fuel and raw materials hampered production. Many of the island's periodicals disappeared as a result of newsprint shortages. Nearly 50 percent of the contents of the Cuban family shopping basket comes from the Soviet Union and East European nations, and in September delivery delays prompted the authorities to add 28 items to the normal ration list and to put severe restrictions on the sale of household items.<sup>13</sup> In late October, a

(Continued on page 133)

**Gillian Gunn** is the author of "Will Castro Fall?" *Foreign Policy*, no. 79 (Summer, 1990), and is currently focusing on Cuba's future in the post-cold war era.

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*"It is a reasonable assumption that political democracy in much of the Caribbean can continue without economic growth—but it cannot continue in the face of economic decline."*

## The Caribbean: Small Is Scary

BY AARON SEGAL

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THE Caribbean competes with the Indian Ocean and South Pacific regions as the most fragmented and heterogeneous in the world. So deep is the fragmentation that several geographic definitions dispute what constitutes the region.<sup>1</sup> Rather than the broad Caribbean basin definition, which includes such mainland states as Mexico, Colombia and Venezuela, or the narrow Commonwealth Caribbean definition, which includes only the former British colonies, another regional definition is preferable. According to this definition, the Caribbean includes the entire Caribbean archipelago from the Bahamas in the north to Trinidad and Tobago next to northern South America. It also includes the culturally related societies of Belize on the Caribbean coast of Central America and the northern South American societies of Guyana, Suriname and French Guiana.

The diversity in this geographic region is impressive. Five million people live in nonindependent United States, British, French and Dutch territories—the last legacy of 450 years of colonialism. Since the failure of the West Indies Federation—a union of British possessions that was established in 1958 and dissolved in 1962—13 independent states have been created out of former British colonies. These 13 states maintain a Caribbean Community (CARICOM), the University of the West Indies, the Caribbean Development Bank and other forms of regional cooperation.

The Dominican Republic and Haiti share the island of Hispaniola, but their trade and political relations are limited and often hostile. Air, telephone and sea communications with Miami and New York are more efficient than cross-island communication. Cuba, with a population close to 11 million, is the largest society and island in the Caribbean and is the most isolated from its neighbors.

The region's political and economic diversity has led to four official language groupings: English,

French, Spanish and Dutch. However, in most Caribbean societies the people also speak a Creole language or dialect. Creole languages have gained some degree of official recognition in Curaçao (Paliamentu), Suriname (Sranan) and Haiti (Kreyol).

In spite of this longstanding and continuing diversity, the Caribbean has a shared culture. Its Creole languages, dances, music and games are clearly related. Most Caribbean societies share histories of colonialism, African slavery, emancipation and Indian indentured labor; Afro-Caribbean religious, linguistic, familial and agricultural syncretisms range from Santería in Cuba to voodoo in Haiti and Shango in Trinidad and Tobago. The exploration of these cultural similarities and syncretisms has been a major accomplishment of Caribbean and foreign scholars.<sup>2</sup>

Caribbean states are small in size and population, although population densities are high (400 or more persons per square mile). Only Cuba, the Dominican Republic and Haiti have populations of more than 5 million. Twenty of the 26 societies in the Caribbean have populations under 1 million. The total population of the region is less than that of Colombia and only slightly greater than that of the five largest Central American states combined. The Caribbean consists essentially of micro- and mini-states dwarfed in size and resources by their continental neighbors. With one-third of the Caribbean's total population, Cuba could potentially exercise hegemony, but has instead chosen to project its influence in Angola and Nicaragua.

Since the coerced immigration of African slaves and Indian indentured laborers ended in the nineteenth century, the Caribbean has experienced massive net emigration; since the end of World War II, between 5 and 10 percent of nearly every Caribbean society has left the region.<sup>3</sup> An estimated 1 million people of Caribbean origin live in the United Kingdom, the Netherlands and France, and perhaps 5 million live in the United States and Canada. Except for Cuban refugees, most have left voluntarily. Many enjoy dual nationality and go back and forth between the home islands and the new societies.

<sup>1</sup>Aaron Segal, "Caribbean Complexities," *Current History*, December, 1988, pp. 413–416, 434–437.

<sup>2</sup>Sidney W. Mintz and Sally Price, eds., *Caribbean Contours* (Baltimore, Md.: Johns Hopkins University Press, 1985).

<sup>3</sup>Barry Levine, ed., *Caribbean Exodus* (New York: Praeger, 1987).



Together with family planning, education and the changing status of women, emigration has sharply reduced population growth in all Caribbean societies except Haiti during the last two decades. Caribbean population growth rates are between 1 and 2 percent a year, down from 2 to 3 percent earlier. Cultural ties are maintained through frequent visits and the practice of sending Caribbean children born overseas home to be raised by grandparents and others. As anthropologist Raymond Smith has shown in his detailed studies, the Caribbean peoples have learned to stretch family ties from London, Toronto, New York and other foreign locales back to the islands.<sup>4</sup>

## TOWARD COOPERATION

The emergence of Caribbean-wide problems is forcing once-isolated societies to learn to work together. There is pressure for limited forms of functional regional cooperation rather than political unity through an expanded CARICOM and associations of nongovernmental interests like the Caribbean Conservation Association and the Association of Caribbean Universities.

The fundamental problem the region shares is total dependence on imported energy. Only Trinidad and Tobago has oil reserves, but these offshore fields are being rapidly depleted. The August, 1990, Iraqi invasion of Kuwait and the ensuing crisis in the Persian Gulf have cost the Caribbean nations hundreds of millions of dollars in higher oil prices despite their ability to buy Mexican and Venezuelan oil at discount prices. Vulnerable to world energy price volatility, the Caribbean has been jolted by inflation and higher costs for its fuel-intensive exports; it has also had balance of payments difficulties. The Soviet Union's cutback on oil deliveries to Cuba has left the island unable to sell surplus oil on world markets for dollars.\*

The shared search for alternative energy has begun in the Caribbean.<sup>5</sup> Experiments with the conversion of sugarcane residue into energy, active and passive solar energy devices, windmills, biogas and other technologies have been undertaken. Much of this experimentation has been funded by foreign donors. Solar energy appears promising but will require sustained basic and applied research. No

single Caribbean island can carry out an effective alternative energy program. Cuba learned this with the failure of its Soviet-designed nuclear reactor project.

The control of drug trafficking is also nudging the Caribbean toward cooperation. Belize and Jamaica are the only Caribbean countries where marijuana is grown and exported. However, the islands provide transit points for cocaine and other drugs from Colombia destined for either North America or Europe. Small planes and high-speed boats take advantage of secluded island airstrips or territorial waters to transfer drugs. Those islands that have offshore banks and minimal regulations are also used to launder drug money.

Drug trafficking in the Caribbean corrupts law officials, introduces violence, and even threatens national security on islands that are protected by only a handful of police and a tiny army. The United States Drug Enforcement Administration (DEA) claims that in 1989, drug trafficking to the United States through the Caribbean dropped by nearly half as dealers switched to Central American and Mexican routes. The DEA operates regional surveillance centers in the Dominican Republic, Haiti and Aruba. Meanwhile, the Caribbean is being used increasingly to ship Colombian cocaine to Europe. In 1990, French police intercepted the largest shipment ever on French territory on the tiny island of St. Martin. Dutch police claim that 60 percent of the cocaine entering the Netherlands comes by way of Suriname.

## ECONOMIC CHANGES

Historically, most Caribbean states have been locked into preferential trade arrangements with former colonial powers. This is changing. In 1990, the Dominican Republic and Haiti signed the Lomé Convention with the European Community (EC), making all independent Caribbean states except Cuba parties to preferential trade agreements both with the EC and with the United States through the Caribbean Basin Initiative (CBI).<sup>6</sup> No other region of the world enjoys this nonreciprocal dual access to the most important markets in the world.

The Lomé Convention applies to 69 developing countries, including 16 in the Caribbean. It provides concessional aid on a five-year basis and price supports for major tropical exports like coffee, cacao and bananas. Designed primarily for extremely poor countries in sub-Saharan Africa, it is probably the most generous form of North-South cooperation in the world, although it does not extend to duty-free exports of manufactured products.

The 1988-1989 negotiations for the entry of the Dominican Republic and Haiti to the Lomé Con-

\*Editor's note: See Gillian Gunn's article in this issue.

<sup>4</sup>Raymond T. Smith, *Kinship and Class in the West Indies: A Genealogical Study of Jamaica and Guyana* (New York: Cambridge University Press, 1988).

<sup>5</sup>Wallace C. Koehler and Aaron Segal, "Caribbean Science and Technology: Do They Exist?" *Caribbean Review*, vol. 14, no. 3 (Summer, 1985), p. 11.

<sup>6</sup>An international conference was held in Paris in June, 1990, with regard to the Caribbean and the European Community; see also Aaron Segal, "The Caribbean's Euro-American Links," *The Times of the Americas* (Washington, D.C.), March 21, 1990.

vention were promoted by Spain and by Haiti's African friends. The new members will each receive an estimated \$30 million to \$40 million a year from the EC in aid and price supports. The EC also provides other Caribbean Lomé members with financial and technical aid. Additional flights and tourist promotion will increase European tourism to the Caribbean, which is currently about 10 percent of total tourism. The EC is also committed to increasing aid to the British, Dutch and French Caribbean, which are juridically parts of the EC.

The CBI has been in operation since 1983 and extends to Central America as well as to the Caribbean. It provides for nonreciprocal duty-free entry to the United States of certain products manufactured or assembled in the CBI states. Because of pressure from United States producers, sugar, rum, certain textiles and many other products are excluded. The CBI has generated new foreign investment, jobs and exports, especially in Jamaica, St. Lucia and the Dominican Republic. However, the CBI has been curtailed in value by exemptions and has not lifted island economies out of deep economic slumps. The administration of United States President George Bush pressured Congress in 1990 to extend the CBI for another 15-year period, but many of the exemptions remain.<sup>7</sup>

The Caribbean has not been able to take full advantage of its unique trade access. Exports to the EC and the United States are limited by rules such as local value-added taxes, quotas and protection for sugar. The islands lack infrastructure and managerial personnel, and they are competing with Singapore, Mauritius and other better organized island exporters. Ports, shipping and air freight are costly and often inefficient. There is a critical shortage of island entrepreneurs capable of running subcontracting operations.

Meanwhile, the dual-market access may not last. Mexico and the United States are negotiating a free trade agreement that will undermine some CBI advantages. The EC is working out formulas to deal with 29 island dependencies from Corsica to the Madeiras, all of which are seeking preferences.

The Caribbean needs to move rapidly to take advantage of its dual-market access while it lasts. Its other options are in trouble. Passenger cruise ships are stopping at ports less frequently or only briefly. Peasant agriculture is in trouble everywhere after decades of official neglect, and food imports con-

tinue to grow. Traditional tropical export crops like bananas and sugar are curbed by foreign quotas and import schemes, and newer exports like cut flowers and exotic fruits require extensive investments and marketing.

## MAINTAINING DEMOCRACY

Remarkably, a majority of Caribbean societies have remained democratic in spite of economic stagnation.<sup>8</sup> The exceptions are Cuba, with its personalist, Marxist regime; Haiti, which continues to try to shake the legacy of a 29-year family dictatorship that ended in 1986; multiethnic Suriname, where military rule has only partly given way to civilian rule; and multiethnic Guyana, where Afro-Guyanese use coercion to rule over an Indian majority. However, in Grenada, electoral democracy has been restored after breaking down in a 1979 coup and being revived in the wake of United States military intervention in 1983.

Throughout the Caribbean, opposition political parties win elections and take office. More significant, the courts retain their independence, the press is privately owned and relatively free, civil liberties are recognized and respected, and dissent is tolerated. The military and security forces are removed from politics and as a rule do not abuse citizens. Although there are exceptions, there is an active civil society that protests, dissents, takes its case to the courts, contests free elections and provides an effective opposition. It is hard to find similar regimes in such numbers anywhere else in the developing world.

Explanations abound for the persistence of political democracy in some parts of the Caribbean. One suggested explanation is the legacy of British colonialism and parliamentary rule. However, this legacy failed in Guyana and all of British Africa, and democracy is working in Puerto Rico and in the Dominican Republic in spite of a Spanish colonial legacy. Jamaican political scientist and pollster Carl Stone explains that among many West Indians, democracy—especially dissent and an independent judiciary—have acquired an absolute rather than instrumental value.<sup>9</sup> To them, democracy is a quality of life issue. Perhaps Grenada is the case study; its islanders have returned passionately to party politics and competitive elections since 1983, although the island economy (based on nutmeg and tourism) has shown little improvement.

What are the prospects for democracy in the rest of the Caribbean? Guyana and Suriname have failed in multiethnic power-sharing, yet there is no other way they can become democratic. Donor pressure has had some effect, but Guyana and Suriname have become police states, paying only lip service to democracy. They are examples of how

<sup>7</sup>Ibid., December 13, 1989. This issue contains articles on the CBI.

<sup>8</sup>Carl Stone, *Power in the Caribbean Basin: A Comparative Study of Political Economy* (Philadelphia: Institute for the Study of Human Issues, 1986).

<sup>9</sup>Carl Stone, *Politics Versus Economics: The 1989 Elections in Jamaica* (Kingston, Jamaica: Heinemann, 1989).

steady economic decline and mismanagement can lead to dictatorship.

Haiti's chances for achieving democracy are poor. Its history and political culture are based on elite domination of an isolated peasantry. The proliferation of political parties and movements in Haiti since 1986 is an encouraging sign, but there is little consensus on the conduct of politics. The economy is deteriorating, reinforcing the pressure toward another dictatorship.

## DECOLONIZING THE CARIBBEAN

The desire for independence is not a major force in the region. Only the island of Aruba, with a population of 95,000, has set an independence date (1995) to secede from the six-island Netherlands Antilles Federation. Aruba has contracted with a United States firm to refurbish an antiquated oil refinery for \$100 million and is counting on Venezuela to provide a regular supply of crude oil. The remaining members of the federation are restructuring and further decentralizing under the benevolent gaze of the Netherlands, which has already granted them autonomy.

The perennial quarrel over the status of Puerto Rico took a new turn when the Commonwealth's pro-statehood government and the pro-independence parties asked the United States Congress to authorize a referendum on Puerto Rico's relationship with the United States.<sup>10</sup> House and Senate committees disagreed on whether Puerto Ricans living in the United States would be allowed to vote, whether the referendum would be binding or advisory, and whether Congress should spell out the terms of each form of status on the ballot. All three parties agreed, however, to keep the issue off the 1992 Puerto Rican gubernatorial and legislative ballot.

The French Caribbean islands of Guadeloupe and Martinique and the mainland territory of French Guiana sought not independence but affirmation of their ties to France. Many French Antilleans saw the EC as a threat to their preferential trade in bananas, rum, pineapples and other products to France.<sup>11</sup> There was also concern that EC investors and citizens would take advantage of French Antillean business opportunities. A series of visits by French President François Mitterrand and

<sup>10</sup>Raymond Carr, *Puerto Rico: A Colonial Experience* (New York: New York University Press, 1985).

<sup>11</sup>Alain-Philippe Blérald, *Histoire économique de la Guadeloupe et de la Martinique du XVII<sup>e</sup> siècle à nos jours* (Paris: Karthala, 1986).

<sup>12</sup>Recent books on Haiti since 1986 include Amy Wilentz, *The Rainy Season: Haiti since Duvalier* (New York: Simon and Schuster, 1989); Simon M. Fass, *Political Economy in Haiti* (New Brunswick, N.J.: Transaction Publishers, 1988); and Michel-Ralph Trouillot, *Haiti: State Against Nation* (New York: Monthly Review Press, 1990).

Prime Minister Michel Rocard took place in 1989 and 1990 to calm Antillean fears, and to accelerate French aid for the damage caused by Hurricane Hugo in 1988.

Currently, Cuba has only modest diplomatic relations with Barbados, Guyana, Suriname, Trinidad and Tobago, and Jamaica. Because of Cuba's isolation, Caribbean leaders were upset by the deterioration in Soviet-Cuban relations and the insistence of Cuban strongman Fidel Castro on maintaining one of the world's remaining austerity-based Marxist regimes.

A post-Castro Cuba would have several avenues of reentry to the region. The most acceptable would be Cuban prowess in sports, dance, music and the visual arts. Another would be renewed contacts with the Haitian and Jamaican communities that have lived in Cuba since the 1920's. Ironically, Cuba, with its massive joint-venture investment in international tourism, urgently needs help in promotion, flights, cruise ships and management from its Caribbean neighbors, especially the Dominican Republic and Puerto Rico.

Haiti's travail since the exile of President-for-Life Jean-Claude Duvalier in February, 1986, has included two coups, one general election aborted by violence and an interim government that gave way to the December, 1990, elections. Violence between Duvalierists and anti-Duvalierists, army factions, and landlords and peasants has disrupted an already stricken economy.<sup>12</sup> The demise of tourism, the exit of many assembly plants and faltering yields of coffee imprisoned most Haitians in the deepest poverty in the region. Nearly a million Haitians living in the United States, Canada, the Bahamas and the Dominican Republic send between \$100 million and \$125 million a year to Haiti—enough to feed an estimated one out of every four Haitians.

Haiti has seemed ungovernable. Yet the Catholic Church and mainstream Protestant churches and several private radio stations broadcasting nationally in Creole have shown signs of providing a national conscience and curbing some of Haiti's worst human rights abuses. And the 1990 elections led to a victory for a 37-year-old populist priest, Father Jean-Bertrand Aristide, who lacked both a platform and a party, although he enjoyed wide popular support for his courageous opposition to the Duvalierists.

The Dominican Republic boasted an economy with buoyant tourism, an export duty-free zone, as-

*(Continued on page 138)*

**Aaron Segal** is the author of five books on the Caribbean, including a soon-to-be published study of Haiti.



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*"After more than two years in office, a confident and aggressive President Salinas has shattered taboos in opening a hugely statist economy to the bracing winds of market forces."*

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# Mexico Moves Toward Modernization

By GEORGE W. GRAYSON

*Professor of Government, College of William and Mary*

**P**RESIDENT Carlos Salinas de Gortari has moved boldly and skillfully to liberalize Mexico's statist, inefficient economy and integrate it with the United States economy. Meanwhile, his pledges of political reforms to complement the Mexican version of perestroika have raised expectations. Yet the 43-year-old chief executive has initiated only a controlled political opening, fearing that his ever more diverse Institutional Revolutionary party (PRI), which has provided stable civilian government for 62 years, will lose its grip on a political system known for corporativism, authoritarianism, corruption and rigged elections.

Salinas's attempt to integrate Mexico's economy with the United States economy began after he tried to broaden Mexico's trade ties with West Europe. In early 1990, Salinas traveled to West Europe, where he met with the leaders of Great Britain, West Germany, Belgium, Switzerland and Portugal. Although British Prime Minister Margaret Thatcher encouraged him, the other hosts conveyed a disheartening message: while they admired his market-oriented strategy to modernize Mexico, they intended to make Europe the focus of their capital investment and commercial activities.

This polite rebuff by the West Europeans reinforced Salinas's belief that Mexico must work with a dynamic trading partner to avoid becoming a stagnant backwater. The United States was an obvious choice. Location, tradition and multiple economic ties helped point Salinas northward. The bonds between Mexico and the United States were already impressive; witness the 1989 flow of exports (\$25 billion), investment (\$5.5 billion), and traveler expenditures (\$5.7 billion) from the United States to its southern neighbor.<sup>1</sup> For their part, Mexican

consumers purchased goods and services valued at \$27.2 billion, making Mexico the third largest export market for the United States in 1989.<sup>2</sup> Some 1,936 *maquiladoras* (border assembly plants), employing 467,372 Mexicans, fortified the bilateral linkage.

Other signs of mounting United States-Mexican interdependence include increasing migration, telephone calls, telegraph messages and media contacts.<sup>3</sup> In addition, Petróleos Mexicanos (Pemex), the state oil monopoly, has supplied 43.5 percent of the almost 600 million barrels of oil stored in the United States Strategic Petroleum Reserve. Meanwhile, Pemex and private Mexican firms purchased \$1 billion in oil equipment and services from United States suppliers in 1989.

In May, 1990, Salinas said he favored a free trade agreement with the United States. Such a concept had long been taboo because of the massive entanglements that it implied with the "colossus of the North," with which Mexico enjoys a love-hate relationship. Still, Mexico's highly centralized political system, buttressed by widespread official influence in the media, ensured broad acceptance of the presidential initiative. Most PRI leaders voiced enthusiasm for a free trade agreement; the 64-member Mexican Senate overwhelmingly endorsed the proposal; many editorial writers wrote glowingly of the concept; major business associations backed an accord; and the Confederation of Mexican Workers, the largest trade union federation, grudgingly recommended a bilateral economic agreement.

On September 21, 1990, Salinas told United States President George Bush that he wanted to begin talks on a free trade agreement. Five days later, President Bush formally asked Congress to grant the administration "fast-track" authority to negotiate with the Mexicans.<sup>4</sup> Assuming that neither the Senate Finance Committee nor the House Ways and Means Committee denies the request, formal bargaining will begin in the spring of 1991, with completion anticipated 12 to 18 months later. The timetable has been complicated only slightly by Canada's request for inclusion in an accord that would create the world's largest free trade zone.

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<sup>1</sup>United States Department of Commerce, *Survey of Current Business*, September, 1990, p. 41.

<sup>2</sup>*Wall Street Journal*, October 22, 1990, p. B-6.

<sup>3</sup>George W. Grayson, *Oil and Mexican Foreign Policy* (Pittsburgh: University of Pittsburgh Press, 1988), pp. 158-165.

<sup>4</sup>Following President Bush's request, key committees of Congress—Finance in the Senate, Ways and Means in the House—have 60 legislative days in which to veto fast-track authority. If granted, this authority enables the executive branch to negotiate a treaty that Congress would then approve or reject in its entirety, without amendments.

To facilitate harmonious bargaining, Mexico City has removed migration from its negotiating list, while Washington has agreed not to ask Mexico to permit "risk investment" by United States firms in the exploration and development of Mexico's prolific oil holdings. Even so, opponents have emerged on both sides of the Rio Grande. In Mexico, intellectuals, journalists and elements of organized labor argued that a free trade agreement will bankrupt less efficient firms, exacerbate unemployment in a nation where one million young people enter the work force each year, and curtail the nation's highly prized sovereignty.

In the United States, the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) has joined certain trade associations to fight the proposed pact. This unlikely coalition insists that a free trade agreement would encourage United States industries to move factories to Mexico to take advantage of sweatshop wages, would spark unfair competition with domestic steel, footwear and cement producers, and would worsen pollution, particularly along the United States-Mexican border.

Such criticism aside, the prospects for a free trade agreement are enhanced by the resolute backing that it commands from key policymakers in both countries. Texans like George Bush, Secretary of State James A. Baker 3d, Commerce Secretary Robert A. Mosbacher and Senate Finance Committee chairman Lloyd Bentsen (D., Tex.) know first-hand Mexico's critical importance to the United States. For Salinas, who cannot succeed himself as President, an agreement would strengthen his market-oriented reforms and virtually obviate the possibility that his successor, who will take office in late 1994, could dismantle them.

In the short to medium term, an accord should attract investment from North America, Europe and Latin America, including Mexican flight capital. To blunt charges that a free trade agreement would represent Mexico's abandonment of Latin America in favor of a "sell-out" to Uncle Sam, Salinas met personally with the Presidents of six Latin American nations in October, 1990. In each session, the Mexican leader advocated lowering commercial barriers among Latin American countries, with which Mexico conducts only 4 percent of its trade. "[I]t is not a case of choosing between

blocs," he said, "but [of] being present in all of them."<sup>5</sup>

## ECONOMIC CONDITIONS

Mexico's economy has made considerable progress under Salinas's stewardship. The gross domestic product (GDP), which was flat during most of the 1980's, increased 2.9 percent in 1989 and 2.5 percent in 1990. Meanwhile, consumer prices, which shot up 160 percent in 1987, rose only 20 percent in 1989, and increased at a rate of approximately 30 percent in 1990. Crucial to combating inflation has been a government-business-labor Pact for Stability and Economic Growth, which was introduced in December, 1987.

Salinas has speeded up the liberalization begun by his predecessor, Miguel de la Madrid Hurtado (1982-1988). He has curbed bureaucratic growth, trimmed bloated subsidies and slashed the fiscal deficit. Equally impressive, he has removed import barriers, reformed the tax code and continued privatizing state firms, including such politically sensitive areas as telephones, steel and the huge Cananea copper mine. All told, the government has cut the number of state-run companies from 1,155 to fewer than 750.<sup>6</sup>

The most dramatic privatization move occurred in May, 1990, when Mexico's Congress approved a constitutional amendment that returned to private hands two-thirds of the equity in 18 banks nationalized eight years earlier. Despite combined debts of \$4.4 billion, these banks represent an "attractive and profitable" investment, in the opinion of foreign analysts.<sup>7</sup> The \$6-billion sale will generate badly needed funds for housing, education, recreation, health and other social needs. In addition to symbolizing the end of the country's "lost decade," as Salinas calls the 1980's, reprivatization of the banks should help promote private-sector investment in Mexico.

Iraq's invasion of Kuwait in August, 1990, highlighted Mexico's attractiveness as an oil supplier to the United States. As a "friendly gesture," Salinas agreed to ship more oil abroad in the aftermath of Iraqi President Saddam Hussein's aggression. But Pemex has boosted its export volume of 1.3 million barrels per day by only 160,000 barrels because of production constraints.<sup>8</sup> Mounting sales and the doubling of prices have raised Pemex earnings, which totaled \$7.9 billion in 1989, by \$2.37 billion in the last quarter of 1990. Nevertheless, Pemex suffers from a triple burden: anemic investment since the early 1980's, higher taxes and surging internal demand for petroleum products. The result has been a decline in reserves, production and exports amid sagging company morale. If the current trend continues, Mexico will become a net oil im-

<sup>5</sup>*Latin American Regional Reports (Mexico and Central America)*, November 1, 1990, p. 1.

<sup>6</sup>*Economist*, October 6, 1990, p. 87.

<sup>7</sup>Crédit Suisse and First Boston Limited analysts cited in the *News* (Mexico City), November 3, 1990, p. 22.

<sup>8</sup>George W. Grayson, "Can Mexico Prime the Oil Pump Without Foreign Capital?" *Wall Street Journal*, October 19, 1990, p. A-15.

porter by the year 2004.<sup>9</sup>

After Salinas met with President Bush in late 1990, Pemex received a \$1.6-billion loan from the United States Export-Import Bank. This credit demonstrated Washington's desire to assist Salinas and to shore up petroleum output in a stable, contiguous, non-OPEC (Organization of Petroleum Exporting Countries) exporter boasting 66.5 billion barrels of oil and natural gas. That the funds will purchase United States oil equipment and services may presage the fall of another taboo—namely, United States participation in the exploration and development of Mexican petroleum.

Despite the mini-oil boom, which helped lift international reserves to nearly \$8.5-billion worth of oil by early 1991, Mexico still faces forbidding economic problems. The chasm between the “haves” and the “have nots” remains one of the widest in the world. Illiteracy, hunger and inadequate medical care are widespread and are particularly acute in the countryside, which “suffers from increasing and rapid decapitalization, excessively small landholdings, and grinding poverty.”<sup>10</sup> Improved harvests in 1990 moved Mexico toward self-sufficiency in staples like dry beans and corn, and the country continues to export coffee, citrus fruits and winter vegetables. Nonetheless, Mexico had to import 8.5 million tons of basic foodstuffs in 1989. To increase productivity, Salinas has appointed Carlos Hank González, a wealthy entrepreneur and wily political veteran, as secretary of agriculture and water resources. Hank González has promoted joint ventures between multinational companies and *ejidos*, the communal farms conspicuous for low productivity and for their status as political sacred cows. Most agronomists concede that the *ejidos* must be modified.

Salinas's political reforms pale in comparison to his economic reforms. The most striking change

found the PRI recognizing an opposition gubernatorial victory for the first time since PRI's founding in 1929. This event took place in mid-1989, when Ernesto Ruffo Appel, the nominee of the center-right National Action party (PAN), defeated candidates of the PRI and the nationalist Democratic Revolution party (PRD) in Baja California Norte.<sup>11</sup> A second state may slip from the PRI's grasp in mid-1991, when PAN may capture the statehouse in centrally located Guanajuato. The ruling party's strategy may be to concede occasional political victories to the free enterprise-focused PAN even as it freezes out the faction-ridden PRD.

Political foes continue to excoriate officially sanctioned vote fraud. Most outspoken in decrying abuses has been Cuauhtémoc Cárdenas, president of the PRD and the man a majority of Mexicans believe captured the July, 1988, presidential contest from which Salinas emerged as the official winner. In addition to protesting his own loss, Cárdenas claims that the PRI manipulated the outcome of local elections held in the states of Michoacán (July, 1989), Coahuila (October, 1990), and Mexico (November, 1990). The latter, contiguous to Mexico City, received particular scrutiny because of the PRI's reported sweep of all 34 legislative races as well as 116 of the 121 municipalities where contests were held. According to the state electoral board, the official party doubled its voter percentage from 29.7 in the 1988 presidential elections to nearly 60 percent in the municipal contests. Meanwhile, the PRI recorded victories in 81 of 84 municipalities in the November 11, 1990, elections in Hidalgo state.<sup>12</sup>

Salinas has advanced various measures to “modernize” Mexico's Tammany Hall-style political system. In July, 1989, the PRI forged a congressional coalition with PAN and several smaller parties to obtain passage of a Federal Code of Electoral Institutions and Procedures. This legislation mandates the creation of a multiparty Federal Electoral Commission, which would include five non-party members nominated by the chief executive and confirmed by Congress. To eliminate dead and phantom voters, a “new and reliable” electoral list will be compiled. Using this list, the government will issue new photo-bearing voter registration cards. More important, the reform includes a “governability” clause. This provision stipulates that the party with the most support in congressional elections will enjoy an absolute majority of the seats, provided that the party's nominees receive at least 35 percent of the popular vote.

At the PRI's fourteenth national assembly in September, 1990, the delegates adopted a series of reforms designed to “put an end to the political perversion of centralized decisions.”<sup>13</sup> These changes

<sup>9</sup>Petroleum Finance Company, Ltd., “Latin America Upstream Oil Study” (Report prepared for the Oak Ridge National Laboratory, United States Department of Energy, Washington, D.C., April, 1990), p. 44.

<sup>10</sup>Carlos Salinas de Gortari, *20 informe de gobierno* (Mexico City: Presidencia de la República, 1990), p. 30.

<sup>11</sup>George W. Grayson, “The 1989 Baja California Elections: Post-Election Report,” CSIS Latin American Election Study Series, Center for Strategic and International Studies, Washington, D.C., August 10, 1989.

<sup>12</sup>*Latin American Regional Reports (Mexico and Central America)*, December 6, 1990, p. 6. In a December 13, 1990, telephone interview, Professor Roderick Ai Camp of Central College noted that the PRI's total 1990 vote was not markedly higher than the total in 1988; however, the high abstention rate, probably among those who had cast ballots for the PRD and PAN presidential candidates two years earlier, helped elevate the PRI's 1990 percentage.

<sup>13</sup>Party president, Senator Luis Donaldo Colosio, quoted in *Facts on File*, September 21, 1990, p. 708.



include the following measures:

- Introducing secret ballots in all internal elections, except the selection of a presidential candidate, to be accomplished by a new National Political Council composed of top party leaders;
- Making party membership voluntary rather than compulsory by virtue of affiliation with trade unions, campesino organizations and professional associations that constitute, respectively, the PRI's corporatist labor, peasant and popular sectors;
- Expanding the rank-and-file role in the selection of candidates;
- Paring the size of the party's National Executive Committee from 19 to 9 members;
- Eliminating the national party's delegates, known for advancing Mexico City's interests, from state parties;
- Expelling public officials who commit fraud;
- Respecting human rights;
- Promoting greater participation of women and youths in party affairs and electoral posts.<sup>14</sup>

John J. Bailey and other observers of Mexico have suggested that these decentralizing reforms may spur more intra-PRI negotiations, convert the National Political Council into a lively forum for debate, and even embolden the party "to discard its role as a [presidential] appendage to become a conditional collaborator and even a restraint on executive will."<sup>15</sup> Clearly, the old guard lost to leftists and party technocrats, even though the latter saw their policy goals compromised.

Despite this rhetorical enthusiasm for political liberalization, pluralism and openness, Salinas stressed the importance of party discipline and castigated dissenters in his speech closing the assembly. "Their irrational opposition is . . . turning them into allies of those who seek to trample on national sovereignty," he stated.<sup>16</sup> Obviously, the President himself resists allowing "a thousand flowers to bloom" in Mexican politics.

Scarcely had the ink dried on the PRI's internal reform manifesto when charges that the party had manipulated the outcome of the October, 1990, local contests in Coahuila filled the air. PAN deputies manifested their anger over alleged irregularities during Salinas's second State of the Nation address by chanting "Repudio total al fraude electoral [Total repudiation of electoral fraud]!"

Why do charges of fraud persist despite Salinas's emphatic, repeated pledge to clean up elections? First, losers in Mexico (even in intra-PRI contests)

<sup>14</sup>Foreign Broadcast Information Service (FBIS), *Latin America Daily Report*, September 5, 1990, p. 9.

<sup>15</sup>John J. Bailey et al., "Balance preliminar XIV asamblea del pri," *La Jornada*, September 26, 1990.

<sup>16</sup>FBIS, September 5, 1990, p. 8.

have traditionally screamed foul play, and old habits die hard, especially when domestic and foreign journalists eagerly publicize the accusations. Second, as in the United States, state and local elections are controlled by state officials, many of whom view PRI opponents with all of the tenderness of Oliver Cromwell ruling Ireland. Third, there are limits on how far PRI leftists and pro-Salinas technocrats can or will go in curbing the authoritarian practices of old-line politicians, including labor and peasant leaders who constitute the party's so-called "dinosaur wing."

In general, the reformers appear ready to nominate more attractive candidates and encourage fairer elections in areas where the press and the opposition can readily monitor vote tallies. At the same time, PRI progressives acquiesce in traditional political practices in remote rural areas, thereby propitiating the dinosaurs. While losing strength, these regional bosses help Salinas retain control of elections and organizations amid an unsettling economic transformation. In the case of the party's labor leaders, the government rewards their loyalty with legislative seats (albeit in declining numbers), political backing against both dissident members and independent unions, sympathetic interpretations of labor laws, and social benefits. East Europe has illustrated the pitfalls of trying to accomplish perestroika and glasnost simultaneously.

As a rule, Salinas has responded to public pressure for political reforms with incremental changes. A series of political killings, most notably that of Norma Corona Sapienz (who headed the human rights commission in the state of Sinaloa), prompted the President to create a National Human Rights Commission (CNDH). The commission's inability to launch investigations without a formal complaint limits its powers. Still, some 800 allegations to the CNDH of flagrant abuses by the anti-drug squad of the federal judicial police sparked the removal of Javier Coello Trejo as deputy attorney general.

Formal political reforms should improve marginally the integrity of Mexican politics, but the legitimacy of elections remains in doubt. Ultimately, the liberalizing economic changes may prove more effective against deeply ingrained authoritarianism

(Continued on page 135)

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*Panama may suffer "many more years of political turmoil and an eventual return to military rule. If the Panamanian military returns to power, it will probably do so because of continued political turmoil and the attempts by civilian politicians to elicit military help to win the 1994 presidential elections."*

# Panama: The United States Invasion and Its Aftermath

BY STEVE C. ROPP

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**I**N the early morning hours of December 20, 1989, United States President George Bush launched the largest United States military operation since the end of the Vietnam War. The target of "Operation Just Cause," which involved some 20,000 troops, was the government of Panama and its leader, General Manuel Antonio Noriega. Once a staunch United States ally, General Noriega had fallen from grace in Washington policy circles. He was increasingly viewed as an errant and corrupt authoritarian leader, out of touch with his own people and the foreign policy interests of the United States.<sup>1</sup>

Operation Just Cause was a stunning military success. And yet this final and desperate resort to the massive use of military force also reflected dual weaknesses—in Panama's political system and in United States foreign policy. Panama's domestic political problems were highlighted by the fact that the country had failed to complete the internal transition from authoritarian rule to democracy that had been initiated by General Omar Torrijos in 1978. Instead of completing this internal transition, as had most governments in the region, Panama experienced one of the longest periods of military rule in the post-World War II history of Latin America.

United States foreign policy weaknesses are revealed by the fact that United States economic and political support helped to consolidate the very same military government that later required massive American intervention for its overthrow. Whether it was President Jimmy Carter hoping to negotiate new canal treaties or President Ronald Reagan seeking to aid the Nicaraguan resistance (contras), various United States administrations found Panama's military government useful and thus found ways to ensure its survival.

<sup>1</sup>Three recent accounts of the Noriega years are John Dinges, *Our Man in Panama* (New York: Random House, 1990); Frederick Kempe, *Divorcing the Dictator* (New York: G.P. Putnam's Sons, 1990); and R.M. Koster and Guillermo Sanchez, *In the Time of the Tyrants* (New York: W.W. Norton and Company, 1990).

The United States military invasion brought an end to Panama's decade-long effort to build democracy from within. In 1990, the United States directly assumed responsibility for installing a democracy in Panama and ensuring its survival. This effort to establish and monitor the progress of Panamanian democracy has so far produced decidedly mixed results.

## OPERATION JUST CAUSE

The administration of President Bush and the United States Department of Defense had planned the military invasion of Panama for months. Indeed, the Reagan administration had already begun to consider a variety of contingency plans aimed at removing General Noriega from power by force. One plan called for members of the elite Delta Force to "snatch" Noriega out of Panama. Another would have removed Noriega by supporting a military coup mounted by reform-minded officers within the Panamanian Defense Forces (PDF).

After just such a coup failed on October 3, 1989, General Maxwell Thurman, the United States commander in Panama, and the joint chiefs of staff refined the plan for a military invasion. The updated plan greatly compressed the timetable for assembling and deploying the military forces, and the invasion was rehearsed in modular form at various United States bases, both stateside and in Panama.

Operation Just Cause was launched a few days after Marine Lieutenant Robert Paz was killed by Panamanian soldiers at a roadblock. The three-phase operation lasted from early morning on Wednesday, December 20, until December 24. During the first six-hour phase, five United States military task forces destroyed the main combat units of the PDF and routed the organized paramilitary resistance.

The second phase lasted all day Wednesday and was aimed at dealing with the potential hostage

situations that had developed at the Marriott Hotel in Panama City and on the San Blas islands. After the release of all potential hostages, the third and longest phase began. It was directed at the capture of General Noriega, who asked for sanctuary from the Papal Nuncio on December 24. He surrendered to United States authorities 11 days later.

Many observers had anticipated that the Bush administration would take some form of tough action toward Panama after the failed October 3 coup, but most were caught off guard by the administration's choice of the invasion option. However, in retrospect, there was a compelling logic for the invasion from the standpoint of the inner circle of decision makers. This "logic" consisted of inter-related political, institutional, tactical and legal considerations.

From a political standpoint the most important consideration was the fact that the United States presidential election of November, 1988, had led to a victory for George Bush. Before the election, the then-Vice President and his Republican party campaign managers had tried to reduce the public visibility of the Noriega issue, assuming that the Democrats would attempt to link the Vice President to Noriega because of prior intelligence ties. Once Bush had been elected President, he was free to adopt a higher profile on Panama and to consider more draconian measures for getting rid of Noriega.

Of more immediate concern to the President and his advisers in November–December, 1989, was the fact that the "wimp factor" had reemerged as a political issue after the failed October coup. Critics of various political persuasions suggested that the United States had a moral obligation to act decisively in support of the besieged Panamanian coup makers and that United States hesitation had cost the lives of these brave men. Conservative Republicans were particularly harsh in their judgments, accusing President Bush of following a policy in Panama "marked by incompetence and timidity bordering on appeasement."<sup>2</sup>

The President's political incentives to act decisively were further reinforced by the fact that a broad bipartisan consensus had emerged supporting the use of military force against General Noriega. For the first time since the Vietnam War, people in the United States had found an issue important enough to lead them to support the unconditional use of United States troops abroad. Because of the national drug problem and the fact that Noriega was a symbol of the problem, President Bush could consider a range of military options without fear of a public backlash.

The institutional logic supporting a military in-

vasion revolved around the Department of Defense, which planned and carried out the operation. Both Secretary of Defense Dick Cheney and Chairman of the Joints Chiefs of Staff Colin Powell were chagrined about the criticism they had received for failing to have adequate contingency plans for ensuring the success of the reform-minded October 3 coup.

There was strong institutional support for the invasion option from the Defense Department. Support for an invasion was also strong at the lower levels of the military bureaucracy, particularly after the killing of Lieutenant Paz.

The tactical logic steering President Bush and his close advisers toward the invasion option was based on several considerations. First, by December there was little hope that a United States-backed military coup would solve Panama's political problems. Most of Panama's professional officers had been jailed after an earlier coup attempt. And the officers, like Major Moises Giroldi, who had led the failed October coup, demonstrated little inclination to turn the government over to civilians. It became increasingly clear that another coup would leave the old corrupt authoritarian structures in place even if Noriega were removed.

Another tactical consideration influencing the President was the relationship between his two best remaining military options. If he decided to authorize a Delta Force snatch, failure would leave Noriega in power. However, if the "snatch" and the military invasion were conducted simultaneously, the mission could be accomplished even if Noriega escaped. The invasion would destroy his base of support within the PDF and thus would effectively remove him from power.

Finally, there was a compelling legal logic. Under international law, the United States had the right to protect the lives of its citizens living abroad. Since Noriega had declared that a "state of war" existed between the two countries, it could reasonably be argued that the lives of the 35,000 United States citizens living in Panama had been threatened. A military invasion to protect American lives was easier to justify than a "snatch" that would have relied on vague legal principles.

## REACTION TO THE INVASION

Public reaction to the military invasion in the United States was positive; 80 percent of the American people reportedly supported the President immediately after the invasion. When asked several months later what President Bush's greatest achievement had been during his first full year in office, the American people placed the invasion of Panama and the capture of Noriega at the top of the list. In Panama itself, a CBS-*New York Times* poll

<sup>2</sup>*Human Events* (Washington, D.C.), October 14, 1989, p. 3.



showed a 92 percent approval rate for the action the United States took.<sup>3</sup>

However, the reaction in the world at large was different. The day after the invasion, the Organization of American States (OAS) passed a resolution that was critical of the United States action and called for immediate withdrawal. Not a single Latin American nation voted with the United States against the OAS resolution. Although the United Nations (UN) Security Council was prevented from passing a similar resolution through the combined efforts of the United States, France and Great Britain, the UN General Assembly condemned the invasion in the strongest terms.

### POLITICAL DEVELOPMENTS

After the United States invasion, there was a general feeling of euphoria in Panama, stemming from the end of more than 20 years of military rule and from the expectation that the new civilian government would receive large amounts of foreign economic aid. President Guillermo Endara and his two Vice Presidents, Ricardo Arias Calderon and Guillermo Ford, had clearly won the May, 1989, elections, although they were actually installed in office by the invasion itself.

However, widespread hopes for a peaceful democratic transition were quickly dashed. By the middle of 1990, it was clear that there were major disagreements between the four political parties that made up the government coalition. The presidency was in the hands of Endara, representing the old Arnulfista party of long-time strongman Arnulfo Arias, while Arias Calderon represented the Christian Democrats (PDC), and Ford represented the National Liberal Republican Movement (MOLIRENA). The fourth member of the coalition was the Authentic Liberal party (PLA).

Part of the problem in maintaining political unity was the fact that the coalition had won the May, 1989, elections with the votes of the Arnulfista supporters. However, because General Noriega had not allowed the Arnulfista party to participate directly in the elections, the other parties in the coalition (particularly the PDC) had served as "surrogates" for Arnulfista voters.

Although the Arnulfistas gained control of the presidency, the Christian Democrats won a majority of seats in the National Assembly and the largest

number of Cabinet positions.<sup>4</sup> The Arnulfista political cadres and masses thus felt excluded from the spoils of office, both because their political allies in the coalition gained control of top-level positions in the various ministries and autonomous agencies, and because many Noriega followers retained their positions in the lower levels of the bureaucracy.

Tension in the coalition came to a head in late August, 1990, over a "gentleman's agreement" to rotate the presidency of the National Assembly among the four parties until the 1994 elections. During the spring legislative session, the president was a Christian Democrat. When it became clear that the Christian Democrats intended to use their votes in the Assembly to extend their leadership period into the fall session, the other three coalition parties rebelled. They forged an alliance with the Revolutionary Democratic party (PRD) of the old military regime, which allowed them to wrest control of the Assembly from the PDC.

There was increasing conflict within the governing coalition, and there was also conflict between the coalition and the various groups that had supported the old military regime. During the Torrijos and Noriega years (1968-1989), the government bureaucracy had grown in size from 60,000 to 150,000.

Because it did not want to encourage further political instability, the governing coalition left a great deal of the bureaucracy in place. This policy antagonized Arnulfista supporters (who numbered over 100,000); it also allowed the followers of the old regime to conduct "guerrilla warfare" from within against the new civilian government. Noriega's followers were thus able to use their positions to try to destabilize the new government.

These tensions in the governing civilian coalition and between the coalition and the followers of the old military regime manifested themselves in many ways. The Endara government was accused of nepotism in assigning high-level positions and the claim was made that Panama had "gone from a dictatorship of guns to a dictatorship of last names."<sup>5</sup> When such allegations became more common, the government tried to clamp down on dissent by closing opposition radio stations and pressuring journalists.<sup>6</sup>

Followers of the old military regime and others who did not support the new regime expressed their dissatisfaction in many ways. In March, a grenade was tossed into a crowded discothèque, killing a United States serviceman and wounding 27 other people. The Twentieth of December Movement (M-20), which opposed the United States invasion, claimed responsibility. Members of M-20 subsequently conducted a series of attacks directed at United States servicemen and installations.

<sup>3</sup>*National Journal*, January 13, 1990, p. 91; January 20, 1990, p. 147; and April 21, 1990, p. 988.

<sup>4</sup>By September, five Cabinet positions were held by the PDC, four by MOLIRENA, two by the PLA, and only one by the Arnulfistas. See Foreign Broadcast Information Service (FBIS), *Latin America Daily Report*, September 7, 1990, p. 23.

<sup>5</sup>FBIS, June 27, 1990, p. 36.

<sup>6</sup>FBIS, July 20, 1990, p. 26; and August 6, 1990, p. 43.

Beginning in June, there were demonstrations, public protests, strikes and riots. Workers from the National Institute of Telecommunications and the Institute of Hydraulic Resources marched to protest privatization and the anticipated reductions in the government bureaucracy. Prison riots in Panama City forced the United States Southern Command to support the new Panamanian Public Force with two armored cars and to place its troops on alert.<sup>7</sup>

Panamanian labor organizations were particularly active in opposing government economic policies that stressed market deregulation and privatization. In late July, the Colón Free Trade Zone Transporters Cooperative went on strike, paralyzing activity in the world's second largest free trade zone. Public school teachers and students suspended classes in August over the issue of delayed salary payments, and there were violent clashes between National Institute students and police. Coupled with a soaring crime rate (7,532 thefts and burglaries, 1,357 armed robberies, and 77 rapes between March and August), these various forms of public protest led to the increasing perception that the government was not in full control.

Growing political and social tension in Panama at all levels had set the stage for the future reemergence of the military as a significant player in Panamanian politics. In fact, since the invasion, forces have undermined the effort to change the character and role of the Panamanian military. The street riots and massive looting that accompanied the invasion led the Endara government to reincorporate many of the military-police personnel into the Public Force.

Political considerations have also apparently played a role in preventing the dismantling of the old military institution. President Endara's Arnulfista party has a long history of using paramilitary force to maintain power. The fact that Vice President Arias Calderon controls the Public Force because he oversees the Ministry of Government and Justice allowed his much smaller Christian Democratic party to offset the paramilitary strength of the Arnulfistas.

The United States government has several reasons for not pushing too hard for the complete destruction of Panama's military. A weak and ineffective Public Force might lead to a prolonged support role for United States military police in Panama. Specific post-invasion security activities like border patrol and drug interdiction would re-

quire special heavily armed units. Thus while United States authorities stated that the Public Force should play no future role in the defense of the Canal, other interests dictated tacit support for a large and well-armed police institution.<sup>8</sup>

These observations are not meant to suggest that Panama's new Public Force is only a reincarnation of Noriega's PDF. There have been major changes, like the division of the police forces into many distinct service branches under the control of various ministries. The top ranks of the officer corp have also been purged.

Yet the Public Force is still a large institution that can play an increasingly important political role under conditions of continuing instability and civil strife. There were rumors of a coup as early as May, 1990, while Endara was out of the country, and two PF commanders had to be removed in August and September. A second coup attempt in December, 1990, ended only when 500 United States troops were rushed into Panama.

## ECONOMIC TRENDS

At the beginning of 1990, Panama's once thriving economy was in horrible shape. The United States sanctions, which had been in effect for almost two years, had taken their toll, leading to a 17 percent decline in gross domestic product (GDP). Under Noriega, the country had stopped servicing its international debt. It owed \$4 billion to foreign creditors and was \$540 million in arrears in its payments to the Interamerican Development Bank, the World Bank, and the International Monetary Fund (IMF). Because Panama had fallen so far behind on its debt payments, it could not secure new loans. The unemployment rate, which hovered at around 25 percent before the United States invasion, remained at a similarly high level throughout 1990.<sup>9</sup>

After the invasion, Panamanians hoped for a quick infusion of United States financial aid. However, the United States Congress did not pass its "emergency" aid package until May, 1990, and the total, \$420 million, was far less than the \$1.5 billion that the Endara government had requested.

Despite Panama's disappointment with the size of the United States aid package, the United States took several steps immediately after the invasion to help reactivate the economy. The sanctions imposed by the Reagan administration were lifted, and

*(Continued on page 130)*

<sup>7</sup>FBIS, June 27, 1990, pp. 34-35.

<sup>8</sup>*Mesoamerica*, October, 1990, p. 11.

<sup>9</sup>"Foreign Economic Trends and Their Implications for the United States" (Washington, D.C.: U.S. Department of Commerce, July, 1990), pp. 3-9.

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*"Despite strife and turmoil, the first eight months of [Violeta] Chamorro's term reflected the natural process of a society in transition. . . . Although stability is still tenuous, Nicaraguans are trying to rebuild their economy and society."*

## Nicaragua in Transition

By JENNIFER L. MCCOY

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**I**N July, 1979, Nicaraguans captured the world's imagination when they united to overthrow the dictatorial regime of Anastasio Somoza. Ten and one-half years later, on February 25, 1990, the country again attracted world attention as 2,500 foreign observers and 1,500 members of the international press descended on Nicaragua to watch one of the most extraordinary elections in recent history. With these elections, the Nicaraguan government became the world's first to come to power through a revolutionary struggle and then transfer power to its opposition voluntarily after free elections. The inauguration of President Violeta Barrios de Chamorro on April 25, 1990, also marked the first time in Nicaraguan history, with the exception of the United States-supervised elections of 1928, that all the major parties participated in an election and respected the outcome.

What explains this extraordinary series of events, which preceded the drama of the East European elections? And what have been the consequences for Nicaragua?

In February, 1989, President Daniel Ortega Saavedra offered to move up the elections scheduled for November, 1990, in exchange for regional support for demobilization of the Nicaraguan resistance (contras). He then invited the Organization of American States (OAS), the United Nations (UN), former United States President Jimmy Carter and others to observe the entire election process. Ortega's Sandinista government calculated that a certifiably clean electoral victory in Nicaragua might end United States support for the contras and the trade embargo, result in a renewal of international aid and loans, and eventually lead to peace and economic recovery. The clear assumption of the Sandinista National Liberation Front (FSLN) was that it would win a fair contest.

On February 25, 1990, 86 percent of registered Nicaraguan voters turned out to choose new leaders in the presidential, legislative, municipal and au-

tonomous-region council races. The National Opposition Union (UNO) ticket—Violeta Barrios de Chamorro and Virgilio Godoy—won, with 54.7 percent of the vote, followed by the governing FSLN ticket—Daniel Ortega and Sergio Ramírez—with 40.8 percent. In legislative elections, UNO's alliance of 14 parties gained an absolute majority, with 51 of the 92 seats in the National Assembly, while the FSLN won 39 seats and two smaller parties won one seat each. UNO also swept the municipal elections, gaining control of 102 of the 131 municipal councils. Results were mixed in races for the new regional councils in the two autonomous regions along the Atlantic coast. In the Puerto Cabezas region, the Miskito Indian movement—Yatama—won 22 seats, the FSLN won 21 seats and UNO won 2 seats. In the Bluefields region, UNO won 23 seats, the FSLN won 19 seats, and Yatama won 3 seats.

The victory gave the UNO alliance of 14 parties a mandate for change, but the FSLN remained the largest single party. In addition, although UNO won a simple majority in the legislature, it failed to gain the 60 percent (55 seats) of the seats needed to propose amendments to the constitution.

The vote appeared to reflect the intense desire of Nicaraguans to achieve peace and economic recovery. While outside observers debated about how to level the playing field to ensure that the opposition could compete fairly, the incumbent government was unable to counter the structural effects of a decade of war and economic deterioration. A post-election survey indicated that UNO's promise to end the military draft was the most popular theme of its campaign and that 75 percent of the voters had no confidence that the FSLN could end the war if it won the elections.<sup>1</sup> The FSLN campaign slogan, "All will be better," reflected the party's recognition that the 33,000 percent inflation rate of 1988 would have negative consequences for the campaign.

An FSLN assembly at El Crucero on June 17, 1990, offered the Sandinistas' own analysis of the elections. The Sandinistas attributed the electoral defeat to the military draft and the hope that a friendly United States government might improve

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<sup>1</sup>Paul Oquist, "Dinámica Socio-política de las Elecciones Nicaraguenses 1990" (Unpublished manuscript, Instituto de Estudios Nicaraguenses, Managua, October 27, 1990).



the economic situation. However, the analysis also identified Sandinista mistakes, like "an excessive emphasis on the control and centralization of the public administration," the coercive implementation of Sandinista policies, confrontation with the Catholic Church and disregard for the Indian peoples of the Atlantic coast.<sup>2</sup> The FSLN has since carried out an intensive debate over how to democratize the party, which led to a major FSLN congress scheduled for June, 1991.

## THE TRANSITION

The period between the elections and the inauguration was filled with anxiety and insecurity on both sides. UNO felt threatened by continued Sandinista control of the army and police, and feared that the FSLN might be unwilling to transfer power completely to the new government. The FSLN feared a wave of vengeance by the still-mobilized contras against Sandinista supporters and a general rollback of its revolutionary gains, especially in agrarian reform. Consequently, the FSLN began to hand out arms to its civilian supporters for self-protection, while the Sandinista government carried out a crash program to give property titles to persons holding land and houses that had been gained by means of previous confiscation or occupation of vacated property or property that belonged to the government.

The FSLN-dominated National Assembly passed a series of laws designed to protect Sandinista leaders and government workers and property. The legislation provided for a general amnesty for all Nicaraguans (including contras and military troops) who had committed crimes against the public order since July 19, 1979; a grant of immunity for the highest officials of the government; repeal of the media law that had given the government control of television; legal rights for those who had occupied government houses or other confiscated or vacant dwellings for at least one year; the establishment of a compensation fund for the previous owners of some of these houses; and job security for civil service workers.

To ease some of the anxiety following the elections, the two sides immediately began transition talks, mediated initially by former President Carter, the OAS and the UN. On February 27, General Humberto Ortega Saavedra and Antonio Lacayo, designated by the President and the President-elect to lead their respective transition teams, met for the first time at Emory University's Carter Center office in Managua. The issues of greatest concern were the demobilization of the contras, the

integrity of the armed forces, and land reform and property rights.

At that meeting, both sides agreed that President Ortega and President-elect Chamorro would call for an immediate demobilization of the contras; Ortega would announce a cease-fire and Chamorro would endorse it. They also agreed that the transfer of power on April 25 would be complete, including the right of President-elect Chamorro to name her own Cabinet. The integrity of the armed forces would also be respected, and agrarian reform would not be repealed, although disputes over other complex property issues would be adjudicated or negotiated.

Contra demobilization proceeded in fits and starts. On March 23, representatives of the President-elect and of the contras signed an agreement under which the contras agreed to begin to demobilize and disarm their troops in Honduras no later than April 20. But because most of the troops had already moved into Nicaragua with their arms, subsequent agreements were needed. Thus on April 18, three accords were signed in Managua, providing for five security zones inside Nicaragua from which Sandinista troops would withdraw and into which contra troops would move, beginning the next day. The contras further agreed with the incoming government to begin disarmament of their troops inside Nicaragua on April 25 and to complete demobilization of all contra forces by June 10.

## THE TRANSFER OF POWER

On April 25, 1990, Violeta Chamorro received the presidential sash from Daniel Ortega in the National Stadium before several heads of state and UNO and FSLN supporters. In her inaugural speech, President Chamorro described her government of National Salvation, saying one of her principal tasks was to "instill in all our actions the spirit of reconciliation." She also asked General Humberto Ortega to remain in his post as chief of the armed forces, charging him with the tasks of designing a program to reduce the armed forces, recovering weapons still in the hands of civilians and guaranteeing the subordination of the military to civilian authorities. Even though she named herself minister of defense, the retention of Ortega as head of the army created the first crisis faced by the new President; two of her Cabinet ministers resigned in protest and the contras threatened to resist the demobilization accords of April 18.

Further strains within the UNO alliance emerged in the election of the new leadership of the National Assembly. On April 21, the UNO political council approved a slate of officers headed by Miriam Arguello. With the inauguration of the new Assembly

<sup>2</sup>Foreign Broadcast Information Service, *Latin America Daily Report* (hereafter cited as FBIS), July 11, 1990, pp. 28-30.

on April 24, however, the FSLN proposed that officers be more representative. After lengthy discussions, new Assembly officials were elected, including Arguello as president, four UNO members not on the original slate and two FSLN members. These elections foreshadowed the division of UNO Assembly members into two camps—the Arguello faction, sympathetic to Vice President Godoy, and a faction led by Alfredo César, sympathetic to the President.

## THE FIRST 100 DAYS

The Chamorro government took office facing two primary tasks: to end the civil war by demobilizing the contras and reconciling society, and to reactivate the moribund economy. At the same time, various sectors of society began to test their strength vis-à-vis the new government; the FSLN, unions, farm workers, contras and factions of UNO discussed within their own circles how best to promote their demands and protect their interests. The inauguration thus ushered in a period of posturing and muscle-flexing as opposition and government adjusted to their new political roles.

The government also faced a daunting economic situation. Per capita income was at 1950 levels; real salaries were equivalent to one-fourth the salaries of 1981; the public sector deficit was 17 percent of the gross domestic product (GDP); and the monthly inflation rate in April was 43 percent.<sup>3</sup>

The government hoped to reactivate the economy with a plan devised by Central Bank president Francisco Mayorga. Dubbed the “100-day plan” because of its promise to reduce inflation within 100 days, the ambitious program was designed to stabilize the economy, reactivate the agricultural sector and its exports, and privatize state enterprises.

An immediate series of work stoppages, however, put the government on the defensive and delayed implementation of the economic program. Two weeks after the inauguration, 40,000 civil service workers struck to demand a 200 percent salary increase and to protest President Chamorro’s suspension of the civil service law passed during the transition period. After seven days, the strike ended on May 16 when the government agreed to give public sector workers a salary increase in line with price increases for basic foods (but less than the salary rise requested) and to forgo dismissals pending a review of the civil service law.<sup>4</sup>

<sup>3</sup>Republic of Nicaragua, “Document Presented by the Government of Nicaragua to the Donors Conference in Rome,” June, 1990, Rome, Italy; and Central Bank of Nicaragua, “Economic and Social *Concertación*: Presentation of the Economic Cabinet,” September–October, 1990.

<sup>4</sup>*Barricada* (Managua), May 11 and May 17, 1990.

<sup>5</sup>*Ibid.*, July 7, 1990.

The next serious strike began in late June. It started slowly, with a protest of dismissals from the Foreign Ministry and a strike for higher wages by textile workers. During the first week of July, other sectors joined the strike and the Sandinista-affiliated National Workers Front presented a list of demands including job security, a minimum monthly wage of \$200 and the repeal of Chamorro’s Presidential Decrees 10-90 and 11-90, which provided for, respectively, the use of confiscated land and its return to its previous owners.<sup>5</sup>

When talks broke down and the government threatened to fire any employees not returning to work by Monday, July 9, the strike spread to 85,000 public workers and became violent. Barricades made of paving stones, reminiscent of those erected during the revolution, appeared, and in a few neighborhoods clashes between FSLN strikers and UNO supporters erupted. The strike became a major test of the President’s control over the police and army, who might be called on to act against their own partisans. In the end, the President ordered them simply to remove the barricades and separate the protesters, an order with which they complied.

The strike ended on July 12, with the signing of a new agreement between the National Workers Front and the government, which called for a 43 percent wage increase for July, an unspecified increase for August and the suspension of Decree 10-90. Although the government was criticized for making too many concessions to the unions, the 120 percent inflation rate in July meant that the wage increases that the government gave the workers would not provide any improvement in the workers’ real purchasing power.

By the end of the first 100 days, the government had survived two costly general strikes and had made real progress in reconciliation by demobilizing the contras and by working with rather than eliminating the defeated party. However, the government still faced significant criticism from the Godoy faction of UNO and a dismal economic outlook with little prospect of additional foreign aid in the short term.

The Central Bank estimated the government’s financing requirements at \$900 million for 1990. As of September, 1990, it had received commitments of only \$504 million internationally. Thus the government began to seek preferential treatment from the world community to reduce its debt and become eligible for new credits to finance agricultural production and industrial reconversion and to rehabilitate social services. First, however, the government had to show some progress in implementing its economic program and gaining the cooperation of important sectors of the economy.

## THE ECONOMIC PLAN

UNO's political platform had called for the privatization of many nationalized industries and a great deal of farmland. Although the FSLN and the unions were not opposed to the principle of privatization, union leaders insisted that the contributions workers had made to rebuilding the nationalized industries after the revolution had to be respected and that workers had to be given an opportunity to participate the ownership of these newly privatized enterprises.

Similarly, the government's commitment to return property unjustly confiscated after 1979 raised fears among workers and peasants that their jobs would be threatened or their land lost to previous owners returning from exile. These fears contributed to the unrest and general strike in July. Although the transition protocol made clear the government's commitment to respect rural and urban landholders who had benefited from agrarian reform and other Sandinista policies, it also provided for consideration of those whose property had been unjustly confiscated. Therefore, the government established the Commission to Review Confiscations under Decree 11-90.

A key element in the plan to stabilize the economy and restore financial equilibrium was the introduction of the gold cordoba, a new currency pegged to the dollar. In June, the government began to bill in the gold cordoba for public utilities and services. The Central Bank gradually began to introduce the gold cordoba into circulation in limited amounts in August; it reached a level of 20 percent of the circulating currency in November. The Bank intended to make a complete conversion only after the fiscal deficit was significantly reduced in order to avoid devaluing the gold cordoba and creating new inflationary pressures.<sup>6</sup>

But restaurants and businesses converted their prices before the new currency actually went into circulation. Consequently, prices escalated rapidly in real terms, because workers received their pay in the old cordoba, which was being devalued on a weekly basis, while prices were being set in the new currency. The result was a dollarized economy, with prices similar to those in the United States and with wages comparable to those of a poor third world country.

Nevertheless, the government argued that average public sector salaries in real terms (taking inflation into account) in October, 1990, were twice those of December, 1989, while the gross national

product (GNP) had failed to double in the same time period, creating a financially unsustainable wage rate. The fourfold increase in wages granted by the Sandinista government before it left office and the many wage increases granted by the Chamorro government after its inauguration had contributed to this.

Reducing the fiscal deficit was another politically explosive task. The government hoped to lower government expenditures through privatization, scaling back the military, dismissing up to 15,000 public sector workers and containing wages.

The military was reduced in size from 96,000 to 35,000 by September. This included the elimination of approximately 50,000 militia and 10,000 regular troops. The military planned to dismiss 5,000 additional officers once a retraining and severance package was put in place.<sup>7</sup> The proposed defense budget for 1991 reduced the proportion of defense spending from 25 percent of the total government budget in 1990 to 16 percent in 1991. Further reductions in the payroll for the public sector would require large cutbacks in personnel or wages, but the unions for government employees had vividly demonstrated their opposition in the May and July general strikes.

## CONCERTACIÓN

Unable fully to implement the economic program on its own, the government began to experiment with a method of national consensus-building through negotiation that has been attempted but rarely achieved in other Latin American countries — *concertación*. *Concertación* entails discussions between the government and key interest groups to reach a consensus on a national problem. In August, 1990, the Chamorro government proposed *concertación*, or a national dialogue, to address the economic crisis, recognizing that the cooperation of workers and investors was essential to recovery. But while the government hoped to limit the discussion to the technical aspects of its economic program, the potential participants held conflicting visions of what the agenda and outcome of *concertación* should be. The Sandinistas and affiliated unions insisted on protecting the gains of the revolution, especially agrarian reform and nationalization of key industries; UNO leaders and supporters in the private sector insisted that the government privatize much of the public sector and return unjustly confiscated property, as called for in the UNO platform.

(Continued on page 131)

<sup>6</sup>Author's interview with Raúl Lacayo, president of the Central Bank, Managua, November 21, 1990. Lacayo became president after the resignation of Francisco Mayorga.

<sup>7</sup>Author's interview with General Joaquín Cuadra, Sandinista Popular Army, Managua, September 6, 1990.

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*"Salvadoran politics remains a kingdom of unanticipated consequences. This is partly the Salvadorans' own fault: the hatred, arrogance and stubbornness of the extremist minority hold the rest of the country hostage. It is also partly the fault of others with sufficient influence to nudge Salvadorans to implement innovations that address only one aspect of the problem and may, despite the best intentions, complicate others."*

## The Persistent Conflict in El Salvador

BY ENRIQUE BALOYRA-HERP

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**D**URING the 1980's, many observers saw the crisis in El Salvador as a political transition occurring in the middle of a civil war.\* To resolve the crisis in their country, Salvadorans must decide whether completing the transition or ending the war is more important. There are differing opinions in El Salvador about which course to choose.

Hard-liners of all stripes have assumed that a decisive military strategy and widespread intimidation will defeat the guerrilla insurgency. Between 1980 and 1984, the Salvadoran army "disappeared" people, decimated popular organizations, created an atmosphere of fear and sent thousands out of the country. After the 1982 elections, the government came to a standstill as a badly divided National Assembly and a presidency in the hands of Alvaro Magaña were unable to agree on a strategy of political reconciliation. The ranks of the guerrilla Farabundo Martí National Liberation Front (FMLN) swelled, forcing the army to double in size, develop competent field officers and allow elections to defuse political tensions.<sup>1</sup>

In contrast to the hard-liners, democrats have argued that holding elections, delivering social reforms and opening negotiations would isolate and eventually neutralize violent extremists. Such attempts were made between 1984 and 1989 during the presidency of José Napoleón Duarte; negotiations were initiated with the FMLN, political space was reopened for the leftist opposition and new blueprints for social and political development were put in place. During this period, the guerrillas

lost the initiative, and rightist extremists found themselves isolated. However, a series of problems overwhelmed Duarte's centrist efforts: a deteriorating economic situation; the kidnapping of Duarte's daughter, Inés; growing factionalism within his Christian Democratic party (PDC); adamant conservative opposition to a policy of national reconciliation; and an uncompromising strategy of public confrontation by the resurgent popular organizations.<sup>2</sup>

President Alfredo Cristiani, Duarte's successor, has not been any more successful at resolving the crisis. His decency and ostensibly good intentions have allayed fears that he would restore the "reactionary despotism" of the late 1970's and embark on a drastic military solution demanded by more recalcitrant elements of his Nationalist Republican Alliance (ARENA).<sup>3</sup> Early in his term, Cristiani committed himself to dialogue and negotiations as "the fastest and most efficient solution." But in November, 1989, the FMLN launched an offensive whose strength caught the army by surprise. San Salvador itself witnessed 20 consecutive days of combat during which the guerrillas tried to provoke a popular insurrection. The air force indiscriminately bombed the city's working class neighborhoods, where terrified residents were held hostage by the guerrillas. Fighting was also heavy in the departments of San Miguel, Usulután and Zacatecoluca.

Official spokesmen called the offensive "a gigantic act of terrorism"; the guerrillas were no less disingenuous in pronouncing the offensive a major success for the Salvadoran people. The guerrillas' most vital objective may have been to show that they remained a force to be reckoned with—that their tactics helped polarize the country even more pleased them. The aftermath saw the army adopt an overly cautious and basically defensive posture, designed to prevent guerrilla attacks from causing widespread destruction. The guerrillas, recovering from approximately 1,000 casualties, did not launch a new offensive until November, 1990.

\*I am indebted to Tricia Juhn for research assistance.

<sup>1</sup>Raúl Benítez Manaut, *La teoría militar y la guerra civil en El Salvador* (San Salvador: Central American University Publishers, 1989), pp. 283-292.

<sup>2</sup>See "The Seven Plagues of El Salvador," *Current History*, December, 1987, pp. 413-416 and 433-434.

<sup>3</sup>ARENA was created by Roberto D'Aubuisson, a former army major and deputy chief of the national intelligence service (ANSESAL), who was repeatedly linked to death squads and mentioned as a leading suspect in the March, 1981, assassination of the Archbishop of San Salvador.

## CRISTIANI'S GOVERNMENT

Questions about Cristiani's ability to govern are not totally resolved. The first half of 1990 was particularly trying, with a state of siege in effect and human rights violations occurring at the levels of 1980 and 1981. But one year into his presidency, Cristiani appeared to have his own team in place—he refers to them as “people who wanted to work.” Vice President Francisco Merino, an ally of Roberto D'Aubuisson's, gave way to Colonel Juan Antonio Martínez Varela at the Interior Ministry; controversial Mauricio Colorado was replaced as attorney general by Roberto Mendoza Jerez, who reactivated the human rights office of the ministry. The retirement of air force chief General Juan Rafael Bustillo, a critic of military self-restraint, and his replacement by General Rafael Antonio Villamariona was a welcome change. A major reorganization of commands in September, 1990, did not hurt either.

Ironically, Cristiani's civilian economic Cabinet—Economy Minister Arturo Zablah, Agriculture Minister Antonio Cabrales, Planning Minister Mirna Llevano de Marqués and Central Reserve Bank president Roberto Orellana Milla—has been more combative and ideological as it administers the government's harsh economic medicine. Cristiani's basic objective is to reverse the trends of the 1980's, “when El Salvador consumed all its savings and wasted much of its foreign assistance and immigrant remittances.” In his first State of the Nation address, Cristiani summarized the most important features of his fiscal and monetary reforms, which included reductions in tax rates, raising interest rates and removing most price controls.

Many of these measures were overdue and have shown positive results: a \$111-million increase in international reserves; an increase of \$14 million in income from nontraditional exports during the first quarter of 1990; a decline in the inflation rate from about 175 percent to nearly 20 percent; and a drop in the prices of some basic goods in the second half of 1990. But these results do not make the reforms more palatable to a war-weary society experiencing an unemployment rate of 50 percent and salaries equivalent in real terms to those of the mid-1960's. To ease the pain, the government granted increases in minimum daily wages of between 15 and 17 percent in April, allowed some cooperatives and private growers to refinance their farm debts, increased pensions and retirement payments, and granted a pay raise of 150 colones per month to government employees.

Predictably, a number of strikes have taken place and the government has denounced them. In June, 1990, university professors and schoolteachers conducted a two-day work stoppage to protest approval

of an education law that they felt threatened their rights and would make education available only to the rich. Finance Ministry employees struck in October, demanding higher salaries and Christmas bonuses. A government increase in fuel prices was followed by a slowdown by the Salvadoran Drivers and Bus Owners Association, which demanded a 50 percent increase in fares; the government refused, arguing that diesel fuel was still subsidized.

## NEGOTIATIONS WITH THE FMLN

Members of the political-diplomatic commission of the FMLN met with government delegations in September, 1989, in Mexico City and in October, 1989, in San José, Costa Rica. The FMLN broke off talks, however, to protest the bombing of the headquarters of the National Federation of the Union of Salvadoran Workers, which killed eight people, including Febe Elizabeth Velásquez, the secretary general of the National Unity of Salvadoran Workers, and injured 30 others. The FMLN offered to renew talks only if the government ended repression, agreed to discuss political changes and upgraded its negotiating team to include people with decision-making authority.

During the early months of 1990, Alvaro de Soto, a special representative of United Nations (UN) Secretary General Javier Pérez de Cuéllar, held a series of secret meetings with representatives of the guerrillas and the government. They then publicly convened on April 4 in Geneva, where they agreed to a document prepared by Pérez de Cuéllar. The Geneva document called for a “continuous and uninterrupted” process of direct negotiations under the auspices of the Secretary General. According to the document, the objective of the negotiations is “to end the armed conflict . . . in the shortest possible time, to promote the country's democratization, to guarantee unlimited respect for human rights, and to reunite Salvadoran society.”

At the conclusion of their meeting in May in Caracas, Venezuela, a more substantive and ambitious “General Agenda and Schedule for the Complete Negotiation Process” was agreed to. The general agenda called for a two-stage process. In the first stage, the following topics would be discussed in sequence: the military, human rights, the judicial system, elections, constitutional reform, social and economic problems and UN verification of the peace process. The second stage called for creating guarantees that would allow the reincorporation of the FMLN's rank and file into the country's political life. The schedule established a timetable culminating in a full cessation of hostilities by mid-September, 1990.

The session conducted in Oaxtepec, Mexico, in June was less fruitful. As expected, reorganization

of the military monopolized attention. The government's chief negotiator, Justice Minister Oscar Santamaría, said the moment was not right for purging the army, a change the rebels considered crucial. Jorge Shafik Handal, secretary general of the Salvadoran Communist party, a member of the FMLN general command staff and a leading voice on the rebel team, confessed that he was exhausted by the "rough and frank" dialogue. In his public report, de Soto said the two sides still held "antagonistic positions."

When Handal arrived for the July session in San José, Costa Rica, he requested that the United States participate in the negotiations; Handal and the FMLN believed that United States pressure was vital in reorganizing the military. Santamaría stressed the government's desire to begin negotiating a cease-fire. The negotiators managed to make progress when they turned to the topic of human rights. A two-part agreement was reached. The first part consists of nine points reiterating the rights of Salvadorans, especially those of detainees, the displaced and repatriated, and residents of conflict areas. The second part of the agreement describes the purpose and mandate of UN verification of the treatment of human rights.

On August 9, the army high command announced a "Plan for Arrest Procedures and Prisoner Rights," allegedly implemented to comply with the human rights agreement. The plan limits arrests without warrant and requires arresting officers to be in uniform, read detainees their rights, advise them of the charges against them, allow them contact with counsel, protect them from any harm by groups acting outside the law, notify their relatives and provide facilities for judges authorizing writs of habeas corpus. The Supreme Court announced the creation of an Arrested Persons Information Department, to which judicial and administrative authorities must report detentions.

Unfortunately, not much progress was made during the negotiations in August and September in San José. The FMLN returned with another proposal to reorganize the military. The guerrilla proposal called for the disbanding of all infantry battalions of the security corps, all intelligence organizations and clandestine prisons, the National Guard, Treasury Police, death squads and civil defense units; ending compulsory recruitment; purging and trying officers involved in human rights violations; restructuring the National Police; and appointing civilians to top Defense Ministry jobs. Six additional points called for the total abolition of the army. Government delegates called this a "step backward." Archbishop Arturo Rivera y Damas's deputy at the negotiations, Monsignor Gregorio Rosa Chávez, said the guerrilla demands were "ex-

cessive" and the FMLN went "back on some points."

The government reaffirmed that the dissolution of the army was not negotiable. However, changes addressing some rebel demands seemed to be taking place. On September 1, 1989, Colonel René Emilio Ponce replaced General Humberto Larios as defense minister; Colonel Gilberto Rubio replaced Ponce as chief of staff; and Colonel Mauricio Ernesto Vargas left the command of the Third Infantry Brigade, replacing Rubio as deputy chief of staff. On September 8, the army's press committee announced new regulations for civil defense forces, whose departmental and local commanders were asked to purge undesirables. On September 10, the army announced the most extensive rotation of senior commanders since the coup of 1979; some high-ranking officers described this as a purge.

For the FMLN, this was still not enough. According to FMLN commander Handal, the guerrillas were no longer interested in purging the armed forces but in "total demilitarization." Field commanders of the FMLN regarded the new Ponce-Rubio-Vargas leadership as a consolidation of the army's most war-mongering sector. The government responded by saying that hard-liners had gained the upper hand in the FMLN.

On the first day of the September negotiating session, a decision to set up a UN office in El Salvador was announced; the office is to monitor compliance with the human rights agreement and the upcoming electoral process and, it is hoped, oversee a cease-fire. Bowing to requests by the Permanent Commission for National Dialogue and five opposition parties, Commander Nidia Díaz put the FMLN on record as being willing to moderate its demands.

After this session there followed an extensive cat-and-mouse game of mutual recriminations and disinformation and rumors of secret meetings and an impending guerrilla offensive. After a low-key meeting in Mexico City, the November 4 negotiating session was postponed; the parties pledged to adhere strictly to the secrecy rule, to emphasize special UN representative de Soto's role as mediator and to speed up the process. On November 20, a new guerrilla offensive began.

## THE CONTEXT OF NEGOTIATIONS

For the negotiations to continue, a number of procedural and contextual annoyances must be minimized or eliminated. First is the matter of secrecy; before, during and after the first few meetings, the official negotiating positions of both parties were leaked to the press; each side accused the other of bad faith. Second, there is what Salvadoran conservatives call the "theatrics" of the



negotiations. During the September round in Costa Rica, FMLN delegates were greeted by two busloads of refugees shouting "demilitarization" and wielding posters against the army. When the talks broke down, the FMLN challenged the government to debate the issues at the National Assembly. Even though the idea received some support, the government was incensed and refused.

Third, no demand, regardless of whether it is sensible or necessary for confidence building, can be indefinitely linked to violence with the expectation that progress will occur. The FMLN cannot pretend that the war is a political campaign for the resolution of specific demands. The army cannot refuse to make even modest changes and expect the FMLN to accept a cease-fire. Fourth, it is difficult to belittle the merit of wider and more open participation in the negotiations. This has occurred already through face-to-face meetings with both parties by the interparty commission and social organizations. Unfortunately, diplomatic history offers few precedents in which increasing the number of direct participants has facilitated negotiations.

After four rounds of UN-mediated negotiations with the Cristiani government, most significant external factors seem to be turning against the guerrillas. Their best external lever, the October, 1990, United States congressional resolution that reduces military assistance to El Salvador by half, authorized United States President George Bush to restore the aid if the FMLN walked away from the negotiations or launched a major military offensive. President Bush did so in January, 1991.

Most governments in Central America favor a negotiated political solution in El Salvador, but the FMLN has taken issue with their proclamations to that effect, including the eighth Central American presidential summit declaration urging the guerrillas to end their military actions immediately and demobilize according to the 1989 Tela agreement, which helped demobilize the contras.

Although some weapons continue to trickle into El Salvador from Nicaragua, the defeat of the Sandinistas in the February, 1990, general elections was a major blow to the FMLN. Even the Soviet Union has adopted a new role with the August, 1990, visit to El Salvador of Yan Burliay, Soviet

deputy chief of the Soviet Foreign Ministry, Latin America department; Burliay put his country on record as supporting negotiations and an end to armed confrontation.

The Salvadoran crisis has its roots in domestic factors, but the FMLN cannot simply divorce itself from obsolete East-West considerations and legitimize its war effort with a social democratic platform—the guerrillas might find themselves isolated. No major Salvadoran organization except the National Unity of Salvadoran Workers has systematically supported FMLN positions in the negotiations. National Revolutionary Movement (MNR) secretary general Guillermo Ungo has complained that the FMLN wants others to take the risks.

The military also faces calls for change. The FMLN may be off-base in adopting the name "Democratic Army of El Salvador," but the guerrillas stand on firm ground when they argue that the safety and basic human rights of Salvadorans are not guaranteed. Nothing illustrates this better than the assassination of six Jesuits in November, 1989, and the January, 1990, kidnapping and murder in Guatemala of Héctor Oqueli Colinres, a leader of the MNR and vice president of the Socialist International.

## THE JESUIT KILLINGS

Early on the morning of November 16, 1989, during an FMLN offensive, elements of the elite Atlacatl Battalion entered the grounds of the Simeón Cañas Central American University (UCA) in San Salvador on instructions from military academy director Colonel Guillermo Alfredo Benavides Moreno and murdered six Jesuit priests and their two servants.<sup>4</sup> Three of the victims, Fathers Ignacio Ellacuría, Ignacio Martín-Baró and Segundo Montes, had been accused of being intellectual mentors of the FMLN. In reality, the three Jesuits were more dismayed by widespread poverty in the country and by the outrages of the disloyal right than mesmerized by revolutionary rhetoric. However, they antagonized very powerful people, including military commanders.<sup>5</sup>

Cristiani promised to solve the murders, but it was not until January 19, 1990, that San Salvador fourth criminal court Judge Ricardo Zamora ordered the arrest of Colonel Benavides and eight co-defendants. Zamora charged them all with murder under article 154 of the constitution. Although

*(Continued on page 132)*

<sup>4</sup>The victims were: Rector Ignacio Ellacuría; Ignacio Martín-Baró, director of UCA's Institute of Public Opinion; Segundo Montes, director of its human rights institute; Amando López and Juan Ramón Moreno, two professors at the university; Joaquín López y López, director of the Fe y Esperanza project; and their cook, Julia Elba Ramos, and her daughter Lisette.

<sup>5</sup>Ironically, there had been a thaw between Ellacuría and President Cristiani. Martín-Baró did not refrain from frequently publishing survey results that were detrimental to the FMLN.

**Enrique Baloyra-Herp** is author of *El Salvador in Transition* (Chapel Hill, N.C.: University of North Carolina Press, 1982). He has given testimony on United States policy toward El Salvador to both houses of the United States Congress.

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*"The situation in Guatemala was at best mixed in 1990. The rudiments of a democratic system survived and there were signs that the economy might improve and that human rights conditions might be less dismal in 1991. As a new administration takes office, it faces the challenge of moving forward. Guatemalans hope that this is possible. . . ."*

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## Limited Hopes and Fears in Guatemala

BY RICHARD L. MILLETT

*Professor of History, Southern Illinois University at Edwardsville*

**T**HE hopes engendered by the 1985 election of Vinicio Cerezo Arévalo had largely dissipated as his term as Guatemala's President drew to a close in 1990. Human rights violations were on the rise, efforts to end more than 25 years of insurgency had yet to produce results, the economy was in serious trouble and the vast majority of Guatemala's 9 million citizens continued to live in abject poverty. Yet the fact that Cerezo would complete his term and, after relatively free and fair elections, would be succeeded by a civilian from a different political party seemed to offer at least a chance for a better future. But hopes were limited and fears greater than they had been in 1985.

The November presidential, congressional and mayoral elections dominated Guatemalan politics for most of 1990. Twenty political parties and several local civic associations contested the elections, and 13 individuals ran for President. For most Guatemalans, however, the campaign took second place to the daily struggle for survival. The economy was in decline, with inflation rapidly rising and unemployment and underemployment reaching record levels, especially in the capital. One survey revealed that only 36 percent of Guatemala's economically active population had a full-time job paying the minimum wage or better.<sup>1</sup> Crime was also increasing. For most Guatemalans the campaign offered little hope.

While the majority of Guatemalans were indifferent to the elections, the nation's political and economic elites fiercely competed for office. Within the ruling Christian Democratic party, the fight for the presidential nomination divided not only the party, but also the President's own family, with his wife, Raquel Blandon de Cerezo, running against her husband's hand-picked candidate, Foreign Minister Alfonso Cabrera. Longtime party leader René de León Schlotter also sought the nomination, but the President prevailed and Cabrera was nominated. De León Schlotter then left the party

and ran as the candidate of the National Opposition Front (FNO), a union of the Democratic Socialist party and the Popular Alliance-5, a group of dissident, left-wing Christian Democrats.

It soon became apparent that the Christian Democrats' prospects for retaining power were slim. Cabrera was an ineffective campaigner who was hampered by constant rumors linking him to narcotics trafficking. The party's efforts were further undermined by the declining prestige of President Cerezo. Charges of corruption, reports of presidential involvement in wild parties and the administration's inability to improve the economy or control the rising tide of violence contributed to growing public disillusionment and cynicism. The party's problems were compounded when Cabrera was rushed to Houston for emergency medical treatment only a few weeks before the elections. He remained in the hospital until after the elections—a fact that local cynics attributed more to embarrassment over his impending defeat than to a legitimate medical cause.

Newspaper owner Jorge Carpio Nicolle, the leader of the center-right National Centrist Union (UCN) seemed ideally positioned to take advantage of the Christian Democrats' problems. Carpio, who had finished second to Cerezo in 1985, began preparing for the 1990 elections as soon as the last votes were counted in 1985. His party was firmly united behind him, and he had wide name recognition and ample campaign funds. In a bid to gain support from the right, he chose conservative businessman Manuel Ayau as his running mate. For a time, the only question seemed to be whether Carpio would win a majority in the November voting or be forced into a January 6, 1991, runoff.

Carpio's march to the presidential palace began to encounter serious problems in early 1990 when former President Efraín Ríos Montt announced his candidacy. Many people supported General Ríos Montt because they saw him as someone outside traditional politics who could restore order and reduce crime and corruption. An evangelical, he could also count on the support of Guatemala's Pro-

<sup>1</sup>Foreign Broadcast Information Service (FBIS), *Latin America Daily Report*, September 19, 1990, p. 11.

testant community, which accounted for 30 percent of the population.

A coalition of small parties quickly rallied behind Ríos Montt, forming what they called the Plataforma No-Venta (the No Sell-Out Platform). The Supreme Electoral Tribunal, however, refused to register Ríos Montt as a candidate. The tribunal based its decision on article 186 of Guatemala's 1985 constitution, which bars any individual who has been President as a result of a coup d'état from holding the office again. Ríos Montt appealed the decision and continued campaigning. His standing in the polls rose steadily and by September, when the Supreme Court granted him the provisional right to register pending further appeals, he had surpassed Carpio in the polls and seemed to have a chance to win a majority in November.

In October, both the Supreme Court and the Court of Constitutionality ruled against Ríos Montt, and he and his entire national slate of congressional candidates were disqualified. (The Guatemalan constitution allows the election of congressmen both from districts and from national party slates. District candidates from parties supporting Ríos Montt remained eligible.) The general, nevertheless, continued to campaign, urging his supporters to protest by casting blank or spoiled ballots.

As election day approached, the campaign became a three-way race. Carpio led in all the polls. Second place was held by Guatemala City Mayor Alvaro Arzu. In third place was evangelical businessman Jorge Serrano Elías, who had gained stature from a debate with President Cerezo and who was winning the support of evangelicals who had formerly backed Ríos Montt. With all three leading candidates adopting similar conservative positions and avoiding discussion of basic issues like control over the military and human rights abuses, the major issue seemed to be how many Guatemalans would follow Ríos Montt's appeal and cast blank ballots.

On November 11, election day, Carpio won 25.7 percent; Serrano finished a close second, winning 24.2 percent of the vote (Carpio and Serrano then moved on to the January 6, 1991, runoff elections). Taking advantage of the Christian Democrats' rural organization, Cabrera won 17.5 percent of the vote, narrowly edging out Arzu, who received 17.3 percent. No other candidate won 5 percent of the vote. Seven percent cast null or blank votes, considerably

fewer than had been anticipated. Only 47 percent of eligible Guatemalans even bothered to vote, a statistic that reflected widespread disillusionment with the entire electoral process.<sup>2</sup>

The results of congressional elections were even more fragmented. The UCN won 41 seats, followed by the Christian Democrats with 27, Serrano's Solidarity Action Movement with 18, and Arzu's National Advancement party with 12. Twelve other seats went to parties that had supported Ríos Montt, and 6 went to minor parties. The UCN won 132 mayoral races, followed by the Christian Democrats with 86.<sup>3</sup>

Carpio's prestige was damaged by the narrow margin of his first place finish. In the weeks following the elections, Serrano had the greatest success in attracting followers of the defeated candidates to his side. On January 6, 1991, he won the runoff elections, receiving more than 60 percent of the vote. On January 14, 1991, he was inaugurated as Guatemala's new President.

### THE PROBLEMS FACING SERRANO

In addition to a badly divided Congress and a disillusioned population, Guatemala's new President inherits a host of problems. Foremost among these is the economy, which has been hurt in recent years by a combination of external and internal problems. The external factors include low world prices for coffee, which is Guatemala's leading export, and the rapid rise in petroleum prices.<sup>4</sup> The economy has also been affected by declining economic assistance, especially from the United States government.

On the domestic front, government corruption and inefficiency, increasing political violence and spreading ecological degradation weakened the Cerezo administration's efforts to promote economic development. Failed coup attempts in 1988 and 1989 undermined efforts to attract foreign capital and to discourage local capital flight. The government reformed tax laws, but enforcement remained sporadic at best. One government economist declared that "in Guatemala there is no such thing as taxes, only voluntary donations." The resulting drop in revenues caused a chronic budget deficit and severely constrained spending on social services. Hospitals were threatened with closure, and government expenditures on elementary education dropped to approximately \$40 per student. The government's failed economic programs also contributed to spiraling inflation, which totaled 42 percent for the first 10 months of 1990. Prices of basic foodstuffs were hit hardest, rising 61 percent.

The economic morass made life even more difficult for most Guatemalans, 70 percent of whom were already living in poverty. Most lacked ade-

<sup>2</sup>*Central America Report* (Guatemala), November 16, 1990, pp. 345-346. Hereafter cited as *CAR*.

<sup>3</sup>*Ibid.*, November 23, 1990, p. 359.

<sup>4</sup>It was estimated that each \$5 rise in the price of a barrel of oil cost Guatemala more than 3.2 percent of its annual export earnings.



quate housing, and malnutrition appeared to be increasing. Laws designed to ameliorate the poor's plight were either ignored or openly defied. When the administration attempted to set a minimum rural daily wage at 10 quetzales (roughly US\$2) the legislation was denounced by the National Agriculturalists Union, which represented major agricultural export producers.

Economic pressures eased somewhat by fall, 1990. Good coffee and grain harvests helped stabilize the value of the quetzal. Fresh foreign loans increased currency reserves, which had reached dangerously low levels. Tourism grew and the economy was expected to grow nearly 3 percent in 1990, approximately equal to the increase in population. But the outlook for 1991, especially if petroleum prices rose still further, was less hopeful.

Economic prospects would improve considerably if the problem of internal violence were solved. One hopeful sign was the peace talks held with left-wing guerrillas in 1990. The guerrillas were divided into several groups, but negotiated under the umbrella of the Guatemalan National Revolutionary Unity (URNG). The talks began with a March, 1990, meeting in Norway between the government-created National Reconciliation Commission (CNR), of which Serrano was a member, and URNG representatives. This was followed by a meeting in Spain between the CNR, the URNG and representatives of Guatemala's legal political parties in May, 1990. At this meeting the guerrillas agreed not to disrupt the November elections. In September the guerrillas met in Canada with representatives of the nation's major private economic groups, and soon thereafter the URNG and CRN met in Ecuador with representatives from Guatemala's leading religious bodies. Finally, in October, social and community organizations met with the guerrillas in Mexico.

Progress at these talks was limited and direct government-guerrilla negotiations would have to wait until the new administration was in office. Formidable obstacles remained, notably army hostility toward the guerrillas and guerrilla demands that the military be held accountable for past human rights abuses. The fact that the process was continuing gave some cause for hope.

## ENDEMIC VIOLENCE

The human rights situation in Guatemala was less promising. The deterioration that had begun in

1989 accelerated in 1990. On January 12, 1990, Salvadoran leftist leader Hector Oqueli Colindres and a companion were kidnapped in the middle of Guatemala City. That same evening their bodies were discovered. Despite repeated government pledges and technical help provided by the United States, no one has been charged with their murder.

Oqueli was not the only foreigner to fall victim to Guatemala's endemic violence. In June, Michael DeVine, a United States citizen living in Guatemala, was found murdered near his ranch. An investigation showed the strong probability of military involvement in DeVine's murder. Pressure from the United States helped lead to the arrest of five army enlisted men, but no charges were filed against the officers who commanded them.

Most victims of the violence were Guatemalans. A few, like anthropologist Myrna Mack, the leader of the National Council of Displaced Persons, Luís Miguel Solís Pajarito, and Christian Democratic leader Sebastian Morales, were prominent. But most were average citizens, students, labor leaders and local political figures. The government's Human Rights Attorney, Ramiro de León Carpio, charged that there had been 276 political murders and 145 disappearances in Guatemala in the first nine months of 1990. Despite a lack of funds and staff, threats to his life, and a conspicuous lack of support for his efforts, de León Carpio persisted in his grisly task of documenting his government's inability to protect the lives of its citizens.

The deteriorating human rights situation captured international attention in late 1990 when a *Christian Science Monitor* report in September and an ABC television program in December reported that Guatemalan police were murdering street children.<sup>5</sup> On December 2, in the town of Santiago Atitlán, an army unit killed 13 Zutuhil Indians and seriously wounded another 19. The military, after initially denying responsibility, arrested the lieutenant in charge of the local detachment and a non-commissioned officer. Defense Minister General Juan Leonel Bolanos announced that they would be tried by military courts "because they committed a punishable crime."

The arrests in the Santiago Atitlán and the DeVine cases showed that members of the security forces may be losing their virtual immunity to prosecution. But there was no evidence that this was the case in hundreds of other less publicized cases. Even if trials were held, final convictions and sentencing were a problem. Guatemala's police and judicial systems barely function. Corruption abounds, a problem compounded by inefficiency, lack of funds and a climate of intimidation that has managed to paralyze all but the most dedicated officials.

<sup>5</sup>William Gasperini, "Street Children under Assault by Guatemalan Police," *Christian Science Monitor*, September 20, 1990, pp. 1-2; Lindsey Gruson, "Remembering a Tortured Child Who Lived in the Streets of Guatemala City," *The New York Times*, October 14, 1990; *CAR*, August 10, 1980, p. 235.

## PLACATING THE MILITARY

In 1988 and 1989, the government successfully withstood coup attempts by small groups of disgruntled officers who were reportedly supported by far-right elements in the private sector. No coups were attempted in 1990, although rumors of coup plots circulated throughout the year. It was clear that the military still runs its own internal affairs without civilian interference.

Unlike their counterparts a decade earlier, most of the officer corps opposed coups or direct involvement in partisan politics. By not favoring a candidate and by permitting a President—even one who had lost much of his public support—to retain his office, most officers believed they were supporting democracy. But these same officers remained committed to military autonomy and immunity from civil prosecution for acts committed while on active duty. While direct military involvement, especially at the higher levels, in human rights violations was probably declining, the armed forces showed no disposition to deal with those in the police, the private sector or at lower levels of the military who violated human rights. Until this attitude changes, civilian government in Guatemala will remain weak and basic improvements in human rights will be extremely difficult, if not impossible.

## FOREIGN RELATIONS

There were significant developments in Guatemala's foreign relations in 1990. Relations with the United States were strained as economic assistance levels declined and concerns over human rights and drug trafficking increased. The Bush administration's 1991 request for assistance to Guatemala was \$120 million, one-third less than the aid request four years earlier. Congress cut this to only \$2.9 million in military assistance, \$60 million in economic support funds and \$34.3 million in development assistance. The administration delayed half the \$60 million in economic support funds for fiscal year 1990 because of disputes over Guatemala's fiscal policies and suspended a \$16.4-million program to improve health conditions for children because of government mismanagement of the funds.

Human rights issues also caused increasing strains. A February, 1990, United States State Department report on human rights conditions substantiated reports that security forces were participating in "extrajudicial killing, disappearances and other serious abuses" in Guatemala. United States Ambassador to Guatemala Thomas Strook pressured Guatemala to improve human rights conditions, and the United States supported criticism of Guatemala at the United Nations Human Rights meetings in Geneva. On December

21, 1990, the United States State Department suspended the \$2.9 million in military aid to Guatemala because of the pattern of human rights abuses, including the government's failure to resolve the June murder of Michael DeVine.

Narcotics were also a major issue in United States-Guatemalan relations. The United States increased its participation in joint anti-narcotics operations, but it also publicly criticized narcotics-related corruption in the Guatemalan government. This led President Cerezo to charge that the United States was spreading reports that Christian Democratic party presidential candidate Alfonso Cabreza had links to drug traffickers.

Guatemala's relations with its neighbors were relatively tranquil in 1990. Efforts to promote the return of Indians who had sought refuge in Mexico during the civil conflict in the 1980's slowly dragged forward. A few returned, accompanied by United Nations representatives, but most still felt more secure living in refugee camps in Mexico.

The country's continuing border dispute with Belize remained unresolved, and both nations continued inching toward a final settlement. In June, 1990, Guatemalan Foreign Minister Ariel Rivera reiterated Guatemala's formal position that it would not recognize Belize as an independent state until the border issue was settled. The following month President Cerezo met with Belize's Prime Minister, George Price, for several days of discussions. After these talks, Cerezo publicly expressed his hope that Belize would join the Central American Common Market "the moment we reach an agreement on our current dispute."

Reviving the Common Market and seeking other ways to promote development in Central America topped the agenda of regional issues for 1990. In June, Guatemala hosted a meeting of Central American Presidents to address regional issues. While full implementation of such proposals was hampered by the ongoing conflict in El Salvador and the economic chaos in Nicaragua, it was clear that the regional agenda was shifting from fears of war to hopes for peace.

Thus the situation in Guatemala was at best mixed in 1990. The rudiments of a democratic system survived and there were signs that the economy might improve and that human rights conditions might be less dismal in 1991. As a new administration takes office, it faces the challenge of moving forward. Guatemalans hope that this is possible, which is better than no hope at all. ■

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# WORLD DOCUMENTS

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## CONGRESSIONAL RESOLUTIONS ON THE USE OF FORCE IN THE PERSIAN GULF

*On January 12, 1991, the United States Congress approved a resolution authorizing President George Bush to use United States armed forces in the Persian Gulf in support of United Nations Resolution 678, which permits the use of force to remove Iraqi troops occupying Kuwait (for the text of the United Nations resolution, see Current History, February, 1991). The resolution passed by a vote of 52 to 47 in the Senate and by a vote of 250 to 183 in the House. Excerpts from the resolution authorizing the use of force and from two resolutions that were rejected follow.*

### AUTHORIZATION FOR USE OF MILITARY FORCE AGAINST IRAQ RESOLUTION

*Proposed in the House by Representatives Stephen J. Solarz (D., N. Y.) and Robert H. Michel (R., Ill.); and in the Senate by Senators Robert Dole (R., Kansas) and John W. Warner (R., Virg.).*

#### SECTION 1. SHORT TITLE.

This joint resolution may be cited as the "Authorization for Use of Military Force Against Iraq Resolution."

#### SECTION 2. AUTHORIZATION FOR USE OF UNITED STATES ARMED FORCES

(a) AUTHORIZATION. — The President is authorized, subject to subsection (b), to use United States Armed Forces pursuant to United Nations Security Council Resolution 678 (1990) in order to achieve implementation of Security Council Resolutions 660, 661, 662, 664, 665, 666, 667, 669, 670, 674, and 677.

(b) REQUIREMENT FOR DETERMINATION THAT USE OF MILITARY FORCE IS NECESSARY. — Before exercising the authority granted in subsection (a), the President shall make available to the Speaker of the House of Representatives and the President pro tempore of the Senate his determination that —

(1) the United States has used all appropriate diplomatic and other peaceful means to obtain compliance by Iraq with the United Nations Security Council resolutions cited in subsection (a); and

(2) that those efforts have not been and would not be successful in obtaining such compliance.

#### (c) WAR POWERS RESOLUTION REQUIREMENTS. —

(1) SPECIFIC STATUTORY AUTHORIZATION. — Consistent with section 8(a) (1) of the War Powers Resolution, the Congress declares that this section is intended to constitute specific statutory authorization within the meaning of section 5(b) of the War Powers Resolution.

(2) APPLICABILITY OF OTHER REQUIRE-

MENTS. — Nothing in this resolution supersedes any requirement of the War Powers Resolution.

#### SEC. 3 REPORTS TO CONGRESS.

At least once every 60 days, the President shall submit to the Congress a summary on the status of efforts to obtain compliance by Iraq with the resolutions adopted by the United Nations Security Council in response to Iraq's aggression.

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### MITCHELL-NUNN RESOLUTION

*Proposed by Senators George J. Mitchell (D., Maine) and Sam Nunn (D., Ga.) and rejected in the Senate.*

The Congress authorizes the use of American military force to enforce the United Nations economic embargo against Iraq, to defend Saudi Arabia from direct Iraqi attack and to protect American forces in the region.

The Congress believes that continued application of international sanctions and diplomatic efforts to pressure Iraq to leave Kuwait is the wisest course at this time and should be sustained, but does not rule out declaring war or authorizing the use of force at a later time should that be necessary to achieve the goal of forcing Iraqi troops from Kuwait.

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### HAMILTON-GEPHARDT RESOLUTION

*Proposed by Representatives Lee H. Hamilton (D., Ind.) and Richard A. Gephardt (D., Mo.) and rejected in the House.*

The Congress authorizes continued use of American military force to enforce the United Nations economic embargo against Iraq, to defend Saudi Arabia from direct Iraqi attack and to protect American forces in the region.

The Congress believes that continued application of international sanctions and diplomatic efforts to pressure Iraq to leave Kuwait is the wisest course at this time and should be sustained. ■



## PANAMA

(Continued from page 116)

Panama once again became eligible for programs within the framework of the Caribbean Basin Initiative.\* Panama received a generous sugar quota from the United States and was granted credit through the Export-Import Bank and the Overseas Private Investment Corporation.<sup>10</sup>

The economy began to recover slowly during 1990, although urban unemployment remained high. Recovery was fueled by modest increases in domestic and foreign banking deposits that partially restored funding for a variety of economic activities. Increases in economic growth in the range of two percent were forecast for the year, a substantial change from the negative growth rates from 1988 to 1989.

The government's National Strategy for Development and Modernization of the Economy was not universally accepted, because of its adverse implications for the labor sector and sections of the business community. Supported by Vice President Ford, the plan stressed the privatization of the economy and increased competitiveness in the international marketplace through the reduction of tariff protection for domestic industry. The Association of Panamanian Industrialists voiced its opposition to the plan; so did the National Council of Organized Workers. The latter believed that proposed changes in the labor code would undermine the gains that had been made by organized labor during the years Torrijos had been in power.<sup>11</sup>

The reactivation of the economy was also slowed by a major disagreement between Panama and the United States with regard to the terms under which United States aid would be disbursed. The United States wanted to make disbursement of a portion of this aid contingent on Panama's signing of a Mutual Legal Assistance Agreement, which would have weakened the country's bank secrecy laws. United States investigators would have gained access to the accounts of people who were suspected not only of money laundering but also of fiscal crimes like tax evasion.

Because Panama's service economy is heavily dependent on banking activities, many Panamanians object to what they view as a United States effort to destroy their banking system. The issue has quickly

become one of national sovereignty, with Foreign Minister Julio Linares speaking out against the ratification of this agreement. (Costa Rica's legislature has refused to ratify the agreement.)

## FADING HOPES FOR DEMOCRACY

Panama's economy is slowly recovering, and this favorable trend is likely to continue. At the same time, the hopes for a fully functioning democracy are quickly fading. Deep tensions exist within the governing coalition and between this coalition and the followers of Noriega's military regime. These tensions have set the stage for continuing social and political turmoil and for the reemergence of the Public Force.

As political difficulties mount, there has been a tendency to blame the civilian leaders. In particular, President Endara has become a target for criticism; he is viewed as too passive and too diverted by his recent marriage. It has been suggested that Vice President Arias Calderon harbors presidential ambitions that negatively affect his collaboration with Endara, and that Vice President Ford has proposed an ill-advised economic program that faces vehement opposition from many key sectors.

While united and effective leadership is important, Panama's political problems run deeper. In the 10 years before the United States invasion, Panamanians tried unsuccessfully to establish their own form of democracy. The fact that democracy eventually had to be imposed through military invasion suggests that Panama's political problems will not be solved merely through a change in civilian leadership.

At the heart of the ongoing political problem is the fact that Panama has been divided historically into two mutually isolated and antagonistic socio-racial groups. One of these groups is led by the white urban commercial elite and currently governs. The other is composed largely of blacks and mulattoes who have operated at the margins of Panamanian society. Their main institutional representative since the 1960's has been the military.<sup>12</sup>

A fundamental reconciliation between these two groups offers the only solution to Panama's ongoing political crisis. Without such a reconciliation, Panama will suffer many more years of political turmoil and an eventual return to military rule. If the Panamanian military returns to power, it will probably do so because of continued political turmoil and the attempts by civilian politicians to elicit military help to win the 1994 presidential elections. The military would then exercise power behind the scenes, as it did during the late 1950's and the early 1960's. ■

\*Editor's note: For further details on the Caribbean Basin Initiative, see Aaron Segal's article in this issue.

<sup>10</sup>"Foreign Economic Trends," *op. cit.*, p. 2.

<sup>11</sup>FBIS, August 3, 1990, p. 22.

<sup>12</sup>Steve C. Ropp, "Panama after the Invasion: Prospects for Democratization" (Paper delivered at the 1990 Annual Meeting of the American Political Science Association, San Francisco, California, September 2, 1990).

## NICARAGUA

(Continued from page 120)

Despite these competing visions, a consensus was reached (and backed unanimously by the National Assembly) that this would be a social and economic *concertación* between the government and economic groups and that it would not directly involve political parties. The government presented its program to the participants on September 20 and subsequently began formal discussions with 35 labor federations and producer groups. After five weeks of negotiations, with some interruptions, an accord was signed on October 26. The government was asked:

- to seek preferential treatment from the international community to resolve the foreign debt;
- to convert currency to the gold cordoba;
- to reduce the fiscal deficit by improving tax collection and by cutting oil consumption, military spending and superfluous spending;
- to maintain the health and education budgets at current levels for 1990 and 1991;
- to support privatization while respecting the workers' right to participate in ownership of shares;
- to return or compensate for unjustly confiscated property;
- to set minimum wages in accordance with the prices of a basic food basket;
- to allow the creation of private financial institutions.

At the same time, workers were asked to promote social peace and exhaust all negotiating mechanisms before resorting to strikes.<sup>8</sup>

The accord achieved a social truce for six months, buying time for the government to pursue its economic plan and to present a national consensus to international donors. But while the accord provided support for the government's program in general terms, specific formulas and terms would have to be negotiated subsequently in order to stabilize the economy. Further, an important exception to the signatories was the Council of Higher Organizations for Private Enterprise (COSEP), the conservative chamber of commerce, which accepted the accord in general, but refused to sign it because the final document did not declare null the property rights the Sandinistas had acquired before February 25, 1990.

<sup>8</sup>Economic and Social Concerted Agreement, reprinted in FBIS, October 29, 1990, pp. 20-21.

<sup>9</sup>Centro para la Promoción, la Investigación y el Desarrollo Rural y Social (CIPRES), *Cuadernos Agrarios* 6, October, 1990, p. 51.

<sup>10</sup>Ibid.

## CONTRAS AND RURAL CRISIS

During the first week of May, 1990, President Chamorro met with contra leaders for 15 hours; the meeting resulted in an agreement that the contras would honor the June 10 deadline for disarmament and the government would produce a plan to reduce the army by that date. On May 31, special tracts of land were designated for the use of the demobilized contras. Here they would receive individual parcels of land, create their own rural police force, and be provided with housing, roads, schools and hospitals.

One of the motivations behind setting aside the tracts was the contras' perceived need for security. However, as fear of the Sandinistas subsided, many demobilized fighters abandoned the tracts for their original homes. An estimated 70 percent of the demobilized contras nationwide did not possess any land.<sup>9</sup> This created a new pressure for land and led to the creation of the National Agrarian Reform Commission, composed of representatives from the government, farmers' groups, the farm workers union, the contras and the armed forces. With parallel regional and local commissions, the commission would identify available land and assign plots to the demobilized fighters as well as to peasants who had not received land during the earlier agrarian reforms.

A combination of several factors led to the third general crisis facing the new government—the demands and defiance of the rural sectors. The pressure for land from contras returning to their birthplaces became intertwined with the grievances of local politicians sympathetic to the Godoy faction with regard to the relationship between the government and the FSLN.

Discontent varied by region. For example, pressure for land seemed most acute in the Matagalpa region, where 8,000 demobilized contras and 5,500 "historical claimants" (peasants who were still waiting to receive land promised under Sandinista agrarian reform) sought parcels. As of mid-November, only about 1,000 contras had received land. But the planned land distribution would be almost as far-reaching as the Sandinista agrarian reform: the estimated 400,000 manzanas of land (1 manzana = 1.7 acres) designated for distribution to the demobilized contras represents 80 percent of the total land distributed in the Matagalpa region during the 10 years of the Sandinista government.<sup>10</sup>

The Estelí region had far fewer demobilized contras but faced the additional problem of 2,500 refugee families returning from Honduras. In both Estelí and Matagalpa, the pressure for land, the polarization of society resulting from the war and weapons in the hands of civilians led to sometimes violent land occupations in the latter half of 1990;

they will no doubt remain potential flashpoints for conflict.

In contrast, the Chontales region did not face a shortage of land for its 6,000 demobilized and 8,000 "historical claimants." By mid-November, 90 percent of the contras requesting land in the region had received parcels. Despite this progress, accumulated tension erupted in this heavily UNO region in November, when civilians, demobilized contras and mayors blocked the main highways and presented a list of political demands to the government. The demands included the removal of General Humberto Ortega and the ministers of the presidency and interior, the removal of the local Sandinista police and military chiefs, the removal of army bases from the region and the creation of a rural police force organized by the ex-contras. At the same time, a national movement of mayors began to form to lobby the national government for resources and political concessions.

### ANOTHER NEW BEGINNING?

As the year came to a close, Nicaraguans began to speak of yet another new beginning. The constitutional period of Violeta Chamorro's term actually began in January, 1991, since a political accord had moved up the election and the inauguration. Despite strife and turmoil, the first eight months of Chamorro's term reflected the natural process of a society in transition. The FSLN and UNO adjusted to their new positions in the opposition and the government, and specific sectors tested the limits of their strength in protecting their own interests. Although stability is still tenuous, Nicaraguans are trying to rebuild their shattered economy and society through their experiments with new methods of bargaining, compromise and negotiation. ■

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### EL SALVADOR

*(Continued from page 124)*

Zamora has determined that sufficient evidence exists, the men have not yet been brought to trial.

The pretrial process has been difficult. Crucial evidence has been lost; several witnesses have contradicted their initial depositions, others have recanted or have been difficult to locate.<sup>6</sup> New revelations have also been made, including the disclosure of a key meeting of military commanders attended by President Cristiani on the eve of the murders; testimony by United States Army Major Eric Buckland suggesting that high-ranking officers

knew of Colonel Benavides's intentions but did not stop him; and the June, 1990, arrest of the former deputy director of the academy, Lieutenant Colonel Jamor Camilo Hernández, for concealing evidence.

Benavides's case is likely to be resolved. An energetic and honest judge is presiding; even though the testimony of codefendants cannot be admitted under Salvadoran law, there seems to be enough forensic evidence linking the accused to the murder; and both President Cristiani and Defense Minister Ponce have given their depositions to the judge. Most important, external pressure will not decrease. An 11-member United States congressional delegation, headed by Representative Joseph Moakley (D., Mass.), visited El Salvador on a fact-finding mission and issued a critical report that persuaded many members of Congress to vote for a reduction in aid to El Salvador; levels of funding and a satisfactory outcome to the case will remain linked. Members of the Spanish Parliament have also visited frequently and have expressed their concern. Father José María Tojeira, Jesuit Provincial for Central America, has carefully monitored the proceedings and will not accept a whitewash; and Archbishop Rivera y Damas has continually demanded justice. If the process continues, most of the truth may be known. Whether justice will be served remains to be seen.

### MANAGING THE TRANSITION

Ending the war and successfully managing the transition require that the government confront and resolve human rights issues. After 11 years of civil war, it is clear that the war and the transition are inextricably linked. This is precisely where the problem lies. Their interrelatedness continues to bedevil attempts at resolving the crisis exclusively by the force of arms, or by suffocating war with economic growth or social justice or democratic politics.

Salvadoran politics remains a kingdom of unanticipated consequences. This is partly the Salvadorans' own fault: the hatred, arrogance and stubbornness of the extremist minority still hold the rest of the country hostage. It is also partly the fault of others with sufficient influence to nudge Salvadorans to implement innovations that address only one aspect of the problem and may, despite the best intentions, complicate others.

Salvadorans may not find the answer either. There is no military doctrine to defeat guerrillas and extensive urban terrorism simultaneously without destroying democratic institutions in the process — no country has successfully completed a democratic transition in the middle of a civil war.

Salvadoran politicians may or may not balance budgets and they may or may not restart the econ-

<sup>6</sup>The most notable piece of lost evidence is the logbook registering the movement of personnel in and out of the military academy; it was reportedly lost or burned on orders of Jamor Camilo Hernández, deputy director of the academy; later it was somehow found. It is now in the judge's possession.



omy. However, if they compromise the rule of law, the limited power diffusion afforded by the transition will become an engine of conflict, not reconciliation. In Alfredo Cristiani, Salvadoran conservatives have a unique opportunity to vindicate themselves and help others participate in building a law-abiding society where the logic of the market is tempered by the corrective mechanisms of pluralist politics. In Alvaro de Soto and a full-fledged mediation by the United Nations, all Salvadorans have a good chance, perhaps the last one, to allow others to help them to reach reconciliation. ■

## CUBA IN CRISIS

(Continued from page 104)

crackdown on "economic crime" began, with 200 people arrested on charges of "illicit and corrupt activities." The parallel market, at which a variety of goods had been available at higher prices, was shut down altogether in November.

While attempting to "equitably distribute" increasingly scarce supplies, the government also tried to increase domestic production of previously imported products. Top priority was given to a Food Program that includes, among other elements: replacing fuel-starved tractors with oxen; emphasizing pork production and authorizing private pig-raising; introducing sugarcane by-products into animal feed to replace grain that failed to arrive from the Soviet Union; creating new food products like hamburgers (nicknamed "Mac-Castros") stretched with non-meat fillers and bread made from yam flour; increasing the area of plantation irrigated with the production-enhancing "microjet" irrigation method; constructing additional facilities for rice growing and dairy production; and raising freshwater fish in Cuba's inland lakes.

Perhaps the most important changes in agricultural policy were those relating to the labor force. In a September, 1990, speech Castro officially blessed the principle of increasing material incentives for agricultural workers. With little publicity, some state farms were broken up into small units tilled by "minibrigades," who cultivate a given plot year round and are paid exclusively in relation to production. This is a significant departure from the previous system, in which workers on huge state farms completed discrete, separate tasks and had no vested interest in the land's productivity. Castro conceded that some crops, like garlic and peppers, would probably be best cultivated by private farmers.

<sup>14</sup>Interviews in Havana, October, 1990; "In Cuba Crews Hasten to Build Rural Housing," *The Miami Herald*, October 24, 1990.

<sup>15</sup>"Minfar on Improving Quality at Enterprises," *Bohemia* (Havana), July 20, 1990.

The authorities also tried to overcome the chronic shortage of labor in the countryside by mobilizing urban residents. Construction crews erected huge dormitories in rural areas for the more than 20,000 Havana residents who are completing two- to three-week stints of agricultural labor.<sup>14</sup> Some urban workers are being offered higher salaries if they move permanently to the countryside, but they are allowed to decline the offer. Others who reject employment in agriculture, primarily redundant factory and office workers, will be paid for one month and thereafter "receive no guaranteed wage."

Some agricultural prices are being raised, and the role of state-controlled marketing organizations (in whose hands as much as 80 percent of some crops sometimes rotted before reaching the consumer) is being curtailed. Much food is now transported directly from producer to market using privately licensed trucks.

Another key element of the economic effort is the decision to apply new management techniques developed in the military to 100 civilian enterprises in 1991. As summarized by a military spokesman, the management philosophy is based on the "awareness that our labor legislation provides excessive protection to bad workers and therefore discourages good workers." Under the military experiment, changes have been made "to favor company management" and "job security [is] only provided to a good worker."<sup>15</sup>

Clearly some of the reform suggestions emerging from the *Llamamiento* debate have been accepted by the authorities. However, many Cuban economists believe that more market mechanisms must be introduced, and a higher level of privatization tolerated, if the economy is to survive the present crisis.

Whether the adjustments introduced thus far will be sufficient to forestall economic chaos is uncertain. Even the most optimistic Cuban economists concede that the new programs and management strategies will take between one and two years to produce significant results. If the Soviet economy implodes, Cuba will not have that safety margin. If Soviet supplies decline in a phased manner over the coming two years, then the new policies may produce some positive results.

## POLITICAL CHANGE

The final factor that will determine the revolution's survival chances is political. The *Llamamiento* and the partial political opening it entails have produced some interesting proposals and policy changes.

In the course of the *Llamamiento* debates, citizens (particularly young people born after the revolu-

tion) complained that the government is not responsive to their needs. Among the most common recommendations were proposals that:

- the National Assembly be transformed from a rubber stamp for the Council of State into a democratically representative body with true power;
- the Cuban Communist party membership criteria be broadened to permit the inclusion of individuals with a wider variety of views, including Christians and homosexuals;
- cultural and press policies be adjusted to permit expression of unconventional ideas and a more honest examination of Cuban society;
- the desire to travel abroad not be treated as unpatriotic;
- the Cuban bureaucracy be overhauled to make it more responsive to individual citizens' needs.

By late 1990, the Cuban government had responded to some, though by no means all, the suggestions arising from the debate.

Early in the year, election formalities within party cells were changed from a show of hands to secret ballots, and the new system was subsequently extended to the mass organizations. Castro also reached out to some religious groups. Overtures were particularly directed at Protestant sects, who, it was claimed, had supported the revolution and had been unjustly discriminated against in the past. Relations remained frosty with the Catholic Church, however, and a visit by the pope was postponed indefinitely.

The concerns of the younger generation also began to receive more attention. The head of the Union of Young Communists (UJC), 34-year-old Roberto Robaina, was promoted within the party and was authorized to reform his organization. Under Robaina's leadership, the UJC has tried to present a "hip" image, sponsoring rock concerts and supporting the argument that the young should be permitted a greater role in decision making.<sup>16</sup>

In May, the government significantly loosened some of the restrictions on cultural expression, permitting exhibits of works implicitly criticizing the revolution. The authorities then backtracked, but by the end of the year cultural expression was somewhat freer than it had been in 1989.

<sup>16</sup>Interview—Roberto Robaina: Proving That Socialism Is Better," *Cuba International* (Havana), September, 1990.

<sup>17</sup>Interviews with Cuban government officials, Havana, October, 1990.

<sup>18</sup>"Bureaucracy Under Attack," *Cuba Business*, October, 1990.

<sup>19</sup>"Public Opinion—What Do People Think about Their Power?" *Bohemia*, July 6, 1990.

<sup>20</sup>"Castro Gives Speech on the 30th CDR Anniversary," Havana Domestic Radio and Television, September 29, 1990.

<sup>21</sup>Gunn, op. cit., p. 142.

The authorities also responded to pressure with regard to travel restrictions. In the fall it lowered the age limit for foreign travel by 10 years (to 40 for women and 45 for men), and by December officials were stating privately that the age limit would soon be eliminated altogether.<sup>17</sup> The relaxation of travel restrictions not only helps the authorities by partially placating the younger generation's restiveness; it also creates conditions for a smooth, legal exodus of the disaffected from the country should political or economic conditions deteriorate.

The authorities further surprised observers by announcing in October, 1990, that the Cuban Communist party bureaucracy would be reduced by 50 percent. In the same measure, it was declared that appointments to party posts at municipal and provincial levels would for the first time be made by "direct, secret voting of party members."<sup>18</sup>

The government also tried to respond to popular dissatisfaction with local government bodies. An August, 1990, poll by the Cuban magazine *Bohemia* showed that two out of five people "don't feel well represented by the state."<sup>19</sup> A month later, 93 new "People's Councils" were established in Havana; in Castro's words, they were to "fight the vices that the people, with reason, criticize."<sup>20</sup> Each council is headed by a president selected by the elected delegates of a given municipality. The council presidents are to work full time (rather than continuing in their normal jobs like regular delegates) and are supposed to have more authority to make decisions concerning local matters.

Cuban Communist party officials claim that additional political reforms are under way and will be announced shortly. However, the fourth party congress originally scheduled for the first half of 1991 has been delayed until the second half of the year, partly because of the economic difficulties Cuba is facing. There has also been evidence of second thoughts on the part of some leaders concerning the advisability of continuing the partial political opening at a time when economic conditions are likely to deteriorate and when the danger of United States aggression is perceived to be growing.

The partial political opening authorized by the *Llamamiento*, whatever its future, is only one part of the Cuban government's internal political plan. Increased repression of those who challenge Castro's power, or his socialist principles, is also part of government strategy.

Over the last two years, individuals who criticized "the Castro personality cult," who demonstrated in favor of perestroika, who questioned Cuban court procedures in politically sensitive trials, or who praised the United Nations Human Rights Commission have been arrested, convicted and sentenced.<sup>21</sup> The repressive atmosphere is rein-

forced by the recurrence of the epithet "*gusano*" in official rhetoric. The term, which literally means "worm," was used in the 1960's and early 1970's to describe those who opposed the revolution. The authorities have also organized bands of "irate neighbors" who besiege the homes of and hurl insults at those dissidents who were not imprisoned.

The 1989 conviction and execution of close Castro associate General Arnaldo Ochoa on drug smuggling charges, and speculation that his death was linked to a challenge to Castro, have added to fears about the danger of confronting the system. Although sentences in political cases have recently been softened somewhat, the Cuban government appears willing to use whatever repressive measures it deems necessary to maintain "order."

It is hard to predict whether the combination of a partial political opening for the compliant and repression for the defiant will maintain social stability in Cuba. There is no doubt that the Cuban people are becoming increasingly disgruntled with the system. At the street level, complaints are louder than ever, and for the first time some Cubans are including Fidel Castro in their criticisms. To date, however, there has been no evidence of an organized opposition able to threaten the regime's survival. The strategy of arresting dissidents while directing less well-organized grass-roots discontent into government-controlled channels has, so far, succeeded.

### CAN CUBA SURVIVE?

It is impossible to say whether the Cuban regime will survive its current crisis. If the leaders of the Soviet Union, or of independent republics, remain in control and pursue their own economic self-interest in trade policy, and if the Persian Gulf crisis is resolved in a manner that lowers international oil prices, then the Cuban economy could squeak through. Cuba would suffer a major recession, with attendant food shortages and unemployment, but it would not entirely collapse. Economic strategists would have a grace period in which to build alternative trade ties and to try to make the Cuban economy more efficient.

The political unrest arising from a severe but non-catastrophic recession might also be containable. The effect of current and future reforms is hard to predict. If the bulk of the population is sufficiently concerned that overthrowing socialism would entail losing the social benefits the revolution has brought, like free health care and education, if the majority still has some affection for Castro and is disgruntled by the system's inflexibility rather than opposed to its ideology, then an ongoing reform program may thwart a major popular uprising. If the repressive Cuban apparatus remains efficient and loyal, then

small protests will continue to be nipped in the bud. And if United States policy keeps providing opportunities for Castro to claim that only socialism stands between Cuban independence and annexation of the island by the United States, the possibility that the current system could survive is further enhanced.

If the Soviet economy implodes and oil prices skyrocket because of war in the Middle East, the outlook for Cuban socialism becomes far bleaker. In such a crisis, even the most progressive economic reforms would have little chance. The social unrest that would inevitably be produced by the ensuing economic catastrophe could conceivably be contained through a combination of repression and "safety valve" reforms, but the task would be formidable. If the United States were to accompany such developments with rhetoric and policies designed to emphasize respect for Cuban sovereignty, then Fidel Castro would be deprived of his "made in Washington" nationalistic armor, and he would be even more vulnerable. ■

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### MEXICO

(Continued from page 112)

and corruption. The reduction or elimination of Mexico's many subsidies, import permits, regulations and licenses would substantially diminish opportunities for the collection of *mordidas*, or bribes, by bureaucrats and party stalwarts. At the same time, the fact that Mexicans are being given a louder voice in economic decision-making may engender greater citizen participation in public affairs over the years. Such involvement is now anemic, as evidenced by high abstention rates in the 1988 national elections (50 percent) and the 1990 elections in the states of Coahuila (75 percent) and Mexico (66 percent).

Cynicism pervades attitudes toward politics in Mexico, and Salinas realizes that the PRI is more of a liability than an asset in any campaign to enhance his popularity and the credibility of his administration. The Harvard-educated chief executive has tried to improve his standing by championing reforms that have impelled renewed economic growth. He has also shown himself to be a *jefe máximo* by jailing dishonest union officials, self-serving businessmen, well-known tax cheats and notorious drug traffickers.

In addition, Salinas has extended the olive branch to the Roman Catholic Church, long a political pariah, by meeting with its local hierarchy, inviting key bishops to his inauguration and dispatching a "personal envoy" to the Vatican (with which Mexico severed diplomatic relations in 1859). In May, 1990, Salinas graciously welcomed Pope John Paul II on his trip to Mexico, and praised



him as a "messenger of peace."

## SOCIAL SOLIDARITY

Salinas shrewdly involved the pope in legitimizing a National Solidarity Program (PRONASOL), his administration's most ambitious attempt to excite grass-roots support by providing funds for social projects in which communities invest sweat capital. On his second day in Mexico, John Paul II offered a mass in Chalco, a sprawling Mexico state shantytown whose 500,000 inhabitants have become the focus of PRONASOL activities. "I exhort Christians and all men of good will in Mexico," he said, "to reawaken a social conscience of solidarity." In his 1990 State of the Nation address, the President claimed that, while avoiding the twin evils of populism and paternalism, the program was bringing medical care, potable water, power lines, telephone service, school buildings and secure land tenure to millions of impoverished Mexicans. In stressing PRONASOL's relevance to the poor who eke out a living in fetid slums, Salinas stated:

We recognize the millions of our fellow countrymen who live in low-income neighborhoods as the true heirs of those who waged the Mexican revolution for land. And we respond to them today as the agrarian reform responded to their campesino grandparents.<sup>17</sup>

This resounding salute came on the heels of the program's first anniversary, during which television stations and newspapers disseminated government-inspired features on PRONASOL's success in attacking local problems. Reportedly, 10 million people took part in the 50,000 activities held during the first National Solidarity Week.

Even though the government insists that the program is nonpartisan and nonideological, critics claim that it represents a corruption-marred patronage machine, embellished with a fancy name and media hype. As proof of PRONASOL's true political mission, detractors point to highly publicized activities in Chalco and in Chimalhuacán, another large shantytown in Mexico state, where voters chose local officials in November, 1990. The PRI's electoral triumph in both cities suggests that the urban poor care more about the benefits arising from a government venture than the motives underlying it.

Salinas devoted almost one-fifth of his 1990 State of the Nation speech to extolling the virtues of the \$1-billion National Solidarity Program. The initiative helps the President improve his legitimacy with this key constituency by projecting a reformist image for his administration, inviting favorable comparisons with Poland's Solidarity movement. By circumventing entrenched state and local politi-

cians, the program facilitates the penetration of a relatively unorganized segment of the population by presidential emissaries, most of whom are PRI supporters. After all, the urban poor are not only the fastest growing segment of Mexican society, but they also flocked to Cárdenas's candidacy in 1988 and could follow suit in 1994 if they are not co-opted by the PRI.

PRONASOL serves to identify and recruit authentic community leaders and link them to the government, thereby focusing them on constructive goals that buttress rather than challenge the official party's hegemonic status. In visits to more than 300 low-income communities, Salinas has placed his personal imprimatur on the program. Thus he has reinforced the patron-client relationship that traditionally has linked the most successful Presidents to their countrymen. Salinas believes that by overcoming rich-poor cleavages, the National Solidarity Program will enhance the country's unity and make it better able to defend national sovereignty amid increasing global involvement.

## SHATTERING TABOOS

After more than two years in office, a confident and aggressive President Salinas has shattered taboos by opening a hugely statist economy to the bracing winds of market forces. His ability to promote sustained growth depends on concluding a mutually beneficial free trade agreement with the United States, where he wins accolades from politicians, business leaders and the mass media. His freedom to negotiate the agreement despite carping from political opponents derives less from relatively modest political reforms than from the personal popularity he has won through decisive leadership and innovations like PRONASOL.

Bilateral negotiations on a free trade agreement may complicate United States-Mexican relations. Because North American critics lack economic arguments to defeat the pact, they will decry the excesses of Mexico's authoritarian political system. Such criticism could embolden President Salinas's domestic foes and test his commitment to social justice and fair voting procedures, particularly in the mid-1991 congressional contests. Second only to advancing North American economic integration is the challenge to legitimize elections, which remain the Achilles' heel of Mexican politics. ■

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## UNITED STATES POLICY IN CENTRAL AMERICA

*(Continued from page 100)*

stabilized an already fragile situation in Panama and created the first real foreign policy crisis for the Bush administration. Members of Congress across

<sup>17</sup>Salinas, *op cit.*, p. 40.

the political spectrum criticized the administration for not aiding the coup attempt.

When the President ordered United States forces into combat in Panama on December 20, 1989, the ostensible trigger was the murder of a United States serviceman by Panamanian troops loyal to Noriega. But United States citizens have been murdered elsewhere in the world and the United States has not responded with military force. A combination of factors, chief among them the perceived domestic costs of failing to act in Panama, resulted in an invasion.

Bush's popularity soared in public opinion polls within weeks, demonstrating the domestic political support for showing United States muscle in the fight against drug traffickers. Panamanians themselves welcomed the United States troops, but reaction in the rest of the hemisphere was decidedly subdued. Vice President Quayle was forced to reschedule visits to Mexico and Venezuela in the wake of the attack, and the OAS held an emergency session to denounce the invasion. The goodwill built up by prior consultation on hemispheric matters was undone in one bold stroke and cooperation on an upcoming regional drug summit was temporarily jeopardized.

As both Panamanians and Bush administration officials discovered, however, the short-term gains of overthrowing a dictatorship and extraditing Noriega to face drug charges created a long-term nightmare of reconstruction. The United States did not develop a policy for restructuring the Panamanian Defense Forces after Noriega's departure; creating a civilian gendarmerie, or Public Force, out of the vestiges of the former PDF has been an uneasy and not altogether successful experiment. When former Noriega supporters attempted to rebel against the civilian police force in December, 1990, United States troops were called in to suppress the action. Such reliance on United States military force does not augur well for the stability of civilian rule.

The defense issue is especially important in light of the larger question of whether Panama can take control of the Panama Canal on December 31, 1999. Many in Congress doubt that the United States will leave the safety of the canal to the Public Force. Some even argue that the current situation may open the way for amending the canal treaties to allow the United States to maintain a military presence in the area after 1999.

Panama's economy remains a disaster, in no small part due to the United States economic sanctions imposed in 1988. Panama's gross national product declined by nearly one-fourth between 1987 and 1989. The banking system was virtually paralyzed and the unemployment rate rose to 25 percent just before the invasion. Recovery since the inva-

sion has been uneven, despite the infusion of \$420 million in United States aid.

The country's service economy, heavily dependent on banking, may also be damaged by the Bush administration's proposed Mutual Legal Assistance agreement. The agreement would pry open Panama's secretive banking rules, which make the country attractive to large depositors, and give United States federal prosecutors easy access to information on cash flow and securities. While more than \$1 billion in deposits has returned to Panamanian banks since December, 1989, recovery may be compromised if the agreement is ratified by the Panamanian legislature (Costa Rica has refused to ratify a similar measure). The United States has linked further assistance, however, to Panama's acceptance of a Mutual Legal Assistance agreement.

### MEETING THE CHALLENGE

One year after the United States invasion of Panama, initial hopes that it would give the Bush administration leverage to deal with other gnawing problems in Central America have faded. The challenge of the post-cold war era will be to lay a foundation for constructive United States involvement in the region, in the absence of threats from outside the hemisphere.

In June, 1990, President Bush launched an Enterprise for the Americas Initiative, which represented an attempt to devise a new regional strategy based on the need for economic reconstruction after a "lost decade." The initiative focuses on reducing the debt Latin American governments owe the United States government, and on free trade and new investment opportunities—all in the context of free enterprise, which is seen as the basis for democratic political systems. The impact on Central America of the initiative, particularly its debt reduction provisions, may be positive: of the approximately \$12 billion that Latin American governments owe the United States government, more than 25 percent is owed by El Salvador and Honduras alone. Yet opening fragile Central American economies to competition with giant United States companies may not yield the intended results. In addition, the plan fails to acknowledge that ongoing political instability in several countries jeopardizes the prospects for economic recovery.

Will Central America be forgotten in the post-cold war era? The last two years have shown that the region no longer excites the passions of the 1980's, but the United States gives no indication of retreating. The central question is whether the United States desire for peace, multilateralism and economic development can be translated into policy, or whether the ghosts of the past will continue to motivate United States involvement. ■

## THE CARIBBEAN

*(Continued from page 108)*

sembly plants, and mining sectors, but suffered from chaotic economic policies and political conflict. At the helm was 84-year-old President Joaquín Balaguer, reelected in 1990 in a hotly contested race with archrival and former President Juan Bosch. While these men swapped political charges, the economy deteriorated sharply. Balaguer's traditional practices of pump-priming patronage with public works were financed by printing money and acquiring an external debt of more than \$4 billion. One result was an annual inflation rate close to 70 percent in 1990 and a series of crippling general strikes led by trade unions and the political opposition. Balaguer offered to move general elections up to 1992 and reluctantly agreed to some of the fiscal cuts and other austerity measures insisted on by international lending agencies.

The Dominican Republic is in trouble. It needs a restructuring of its political parties too long dominated by aging giants and a massive dose of economic structural adjustment. Remarkably, the military and the police have played a secondary role, and electoral democracy has survived a series of rude shocks. One stabilizer is a substantial middle class, although its numbers are being thinned by emigration to the United States.

## THE COMMONWEALTH CARIBBEAN

The global process of regional economic integration brought new life into the semimoribund CARICOM. At its 1990 heads of state meeting, decisions were made to create a common market by 1992, provide further export credits for interisland trade and strengthen regional institutions like the University of the West Indies. CARICOM support was pledged to Belize in its negotiations with Guatemala in their boundary dispute, and a mission was sent to Haiti. Bugged down for years in protectionist disputes among its members, CARICOM has begun to show its potential as a regional political entity. There has even been discussion that the six small eastern Caribbean members might turn their cooperative effort into a renewed attempt at political union.<sup>†</sup>

While most CARICOM members experienced little or no economic growth in the late 1980's, the Bahamas was the exception; its booming economy was driven by tourism and offshore banking. Political democracy persisted, with the opposition returning to power in a narrow election victory in multiethnic Belize. In 1989 there were five hotly contested elections in the CARICOM states alone.

<sup>†</sup>St. Lucia, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines, Antigua, and Dominica.

That year, voters returned veteran Jamaican leader Michael Manley and his National Democratic party to power. Abandoning his socialist views of the 1970's, Manley opted for pragmatic economic policies and agreements with the International Monetary Fund (IMF) and the World Bank. Hurricane Hugo devastated Jamaica in 1988, but by 1990 there were signs of recovery based on tourism, new assembly plants and higher prices for bauxite, the country's main export.

With a population of only 300,000, Barbados found its bountiful but vulnerable economy declining. Exports from assembly plants were down, and sugar remained in a slump, partly because of EC and United States quotas and preferences for domestic products. Accustomed to sophisticated two-party politics in a highly literate society, Barbadians grumbled at belt-tightening imposed by younger politicians. Barbados placed its hopes on more tourism from Europe, especially from Great Britain, and on a further upswing in CARICOM trade. A 1987 visit from Queen Elizabeth II of England for the 350th anniversary of the Barbados Parliament was a source of pride for a society that takes democracy seriously as part of its heritage.

Trinidad and Tobago has run into massive problems. Its oil-based economy has been declining since the early 1980's because of low world prices, bankrupt state enterprises, fiscal deficits, inflation and a drop in the standard of living combined with high unemployment. Economic malaise brought the opposition Prime Minister Arthur N.R. Robinson to power in the 1986 elections. However, his governing coalition soon fell apart over economic policies.

This background helps to explain why a local Muslim group with ties to Libya took the Prime Minister and several members of his Cabinet hostage in late July, 1990. Led by an ex-policeman, Yasin Abu Bakr, this group was finally dislodged by a combination of negotiations and limited force.

Trinidad and Tobago will have a long road back from these tragic events. Higher oil prices will help, but a breach has been opened between the largely Indian business community and the political leadership. The trial of Yasin Abu Bakr and 13 supporters on capital charges will do little to quiet racial and economic fears. Multiethnic Trinidad and Tobago has thus far avoided the violence of Guyana and Suriname. But it has been unable to put together an effective governing coalition that enjoys support from all ethnic communities.

The year 1992 is the quincentenary of the first voyage of Christopher Columbus to the New World. In some respects, the Caribbean that he encountered in 1492 was more united than the region is 500 years later. ■



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# THE MONTH IN REVIEW

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*A Current History chronology covering the most important events of January, 1991, to provide a day-by-day summary of world affairs.*

## INTERNATIONAL

### European Community (EC)

(See also *Infl.*, *Persian Gulf Crisis*)

Jan. 4—Foreign ministers of the 12 member nations meet in an emergency session in Luxembourg; the ministers endorse a peace plan for the Persian Gulf proposed by French President François Mitterrand.

Jan. 11—United Nations (UN) Secretary General Javier Pérez de Cuéllar meets in Geneva with the EC foreign ministers; he is on his way to Baghdad for meetings with Iraqi President Saddam Hussein.

Jan. 22—The European Parliament blocks a \$1-billion EC food-aid package for the Soviet Union to protest the Soviet government's crackdown on independence movements in Latvia and Lithuania.

### Group of Seven

Jan. 20—Finance ministers from the U.S., Britain, Canada, France, Germany, Italy and Japan meet in New York for 2 days of talks.

### North Atlantic Treaty Organization (NATO)

Jan. 2—NATO announces that it is sending three squadrons of German, Italian and Belgian jet fighters to Turkey; this will be the first time that forces from the former West Germany have been deployed outside its borders.

### Palestine Liberation Organization (PLO)

(See also *Israel*)

Jan. 2—Yasir Arafat, the head of the PLO, says that neither he nor Iraqi President Saddam Hussein insists the Palestinian problem be solved as a condition for the withdrawal of Iraqi troops from Kuwait.

Jan. 15—PLO officials announce that a Palestinian believed to be linked to Abu Nidal's Fatah Revolutionary Council is responsible for the assassinations yesterday in Tunis of Saleh Khalef, who was second in command to PLO leader Arafat, and Hael Abdel Hamid.

### Persian Gulf Crisis

(See also *U.S.*, *Administration*, *Foreign Policy*)

Jan. 3—The U.S. Defense Department says there are 530,000 Iraqi troops in or near occupied Kuwait, and that the multinational force in the region totals more than 580,000.

Jan. 4—Iraqi Foreign Minister Tariq Aziz accepts an offer by the United States to meet with U.S. Secretary of State James A. Baker 3d in Geneva January 10.

Jan. 6—Secretary Baker, in London on his way to Geneva to meet with Foreign Minister Aziz, says the U.S. cannot endorse a French peace proposal for the Persian Gulf because it links an Iraqi pullout from Kuwait to an Israeli withdrawal from the West Bank and Gaza Strip.

The U.S. Defense Department announces that journalists reporting on a Persian Gulf war will have to work in "pools" under military escort and submit all reports to a "security review."

Jan. 8—U.S. President George Bush sends a letter to the U.S. Congress asking it to adopt a resolution supporting the use of force against Iraq if Iraq does not comply with the January 15 UN deadline to withdraw from Kuwait.

Jan. 9—Secretary Baker and Foreign Minister Aziz meet for 6 hours in Geneva; they fail to reach any agreement on ending the Persian Gulf crisis peacefully. Baker reports at a news conference afterward that Aziz said the invasion of Kuwait was justified because Kuwait was threatening Iraq.

At a separate news conference, Aziz says that Iraq is "preparing for the worst," and will strike at Israel if attacked by the multinational force in the Gulf. Baker refuses an invitation from Aziz to meet Iraqi President Saddam Hussein in Baghdad January 12.

Jan. 12—The U.S. Congress passes the Authorization for Use of Military Force Against Iraq resolution requested by President Bush. The vote is 52 to 47 in the Senate and 250 to 183 in the House of Representatives. The measure allows the President "to use United States armed forces pursuant to United Nations Security Council Resolution 678," which gives member nations authority to use "all necessary means" to force Iraqi troops from Kuwait after January 15.

Jordanian Prime Minister Mudar Badran announces that Iraq has agreed not to use Jordan as a base in any offensive against Israel.

The U.S. closes its embassy in Baghdad.

Jan. 13—*The New York Times* reports that Jordan has issued a military alert and has stationed tens of thousands of troops along Jordan's border with Israel.

Jan. 14—The 250-member Iraqi Parliament votes unanimously to allow President Hussein to use "all jurisdiction and constitutional powers required in the showdown" against the multinational force in the Gulf after January 15.

Jan. 16—French Prime Minister Michel Rocard announces that France's 10,000 troops and 76 warplanes in the Gulf will be placed under U.S. command.

Jan. 17—An air attack on Iraq and Kuwait by multinational forces, code-named Operation Desert Storm, begins. In Baghdad, the main telecommunications center, the Defense Ministry, the presidential palace, the airport, oil refineries and a chemical plant are hit by bombs. At least 20 B-52 bombers attack Iraqi Republican Guard units along the Saudi-Kuwaiti border, and more than 100 sea-launched Tomahawk cruise missiles, in their first combat use, are fired from U.S. Navy vessels. U.S. officials say Saudi and British planes are taking part in the initial raids.

U.S. Secretary of Defense Dick Cheney announces at a press briefing the death of one U.S. pilot and the loss of his plane, and the downing of one British plane. General Colin L. Powell, chairman of the Joint Chiefs of Staff, rates 80 percent of the bomb strikes as "effective."

The Turkish Parliament votes to allow U.S. aircraft based in southern Turkey to carry out air strikes against Iraq.

Jan. 18—Seven Iraqi surface-to-surface Scud missiles armed with conventional warheads land in or near Tel Aviv and Haifa; approximately 15 people are injured and 4 die of suffocation due to the improper use of gas masks. Iraq also fires a missile at the U.S. air base in Dhahran, Saudi Arabia. The missile is destroyed in the air by a U.S. Patriot missile—the first destruction in combat of a ballistic missile.

U.S. Army General H. Norman Schwarzkopf, the commander of the multinational force in the Gulf, announces that 7 planes from the multinational force have been lost since the start of fighting—3 U.S., 1 Kuwaiti, 2 British and 1

Italian; Iraq's government-run radio claims 94 have been shot down.

Jan. 19—Four Iraqi Scud missiles explode in and around Tel Aviv, causing light casualties.

At a news conference in Amman, King Hussein of Jordan calls for a temporary cease-fire.

Jan. 20—Iraqi television broadcasts interviews with 7 men identified as captured pilots; at least 4 of the men criticize the actions of the multinational force.

In a briefing with reporters, General Schwarzkopf says Iraq's 2 small nuclear research reactors have been "thoroughly damaged" by the multinational force. He says Iraqi factories for chemical and biological weapons have suffered "a considerable setback."

Jan. 21—President Bush denounces what he calls "the brutal parading of allied pilots," which he says is a violation of the Geneva conventions protecting prisoners of war. The President says that if Saddam thought this treatment of pilots was "a way to muster world support, he is dead wrong."

Baghdad Radio says that "the more than 20" captured pilots from the multinational force have been dispersed to "civilian, economic, education and other targets."

Jan. 22—Two Patriot missiles fail to stop a Scud missile launched by Iraq, which damages 20 apartment buildings in a Tel Aviv suburb; 3 Israelis die of heart attacks and 70 are wounded.

U.S. presidential spokesman Marlin Fitzwater says Israel has demonstrated "remarkable restraint in the face of" Iraq's Scud missile attacks; Israel has said it will respond to the attacks at some point in the future.

Iraqi forces in Kuwait set fire to the Mina al-Abdullah and Shuaiba oil refineries and to wells located at the Al-Wafra oilfield.

*The New York Times* reports that since January 18, at least 13 Scud missiles have been launched at Israel and 17 at Saudi Arabia; at least 12 were destroyed by Patriot missiles, 9 or 10 missed their targets and 12 or 13 hit.

Israeli Finance Minister Yitzhak Modai asks visiting U.S. Deputy Secretary of State Lawrence S. Eagleburger for \$13 billion in U.S. aid—\$3 billion in compensation for expected damages from the Gulf war, and \$10 billion for the resettlement of Soviet Jewish immigrants.

At the Red Cross camp near Ruweishid, Jordan, refugees from Baghdad say that almost all of the capital's 4.5 million people have either fled or are living in bomb shelters and mosques, and that there is no electricity; they also say they saw some damage to civilian buildings, mostly near military sites.

Jan. 24—Iraq closes its border with Jordan.

U.S. forces capture the 400-yard-wide island of Qura, off the coast of Kuwait, killing 3 Iraqi soldiers and taking 51 prisoner.

Japanese Prime Minister Toshiki Kaifu announces that Japan will contribute \$9 billion to the multinational effort in the Gulf, bringing its total pledged to \$11 billion. It will also supply airplanes to evacuate refugees.

Jan. 25—Saudi and U.S. military spokesmen say that Iraqi forces have allowed oil to spill from 5 tankers anchored at the port of Mina al-Ahmadi in Kuwait and from the offshore Sea Island Terminal; the oil has created a slick in the Gulf about 9 miles long.

A Kurdish rebel group says 10,000 Iraqis have been killed in bombing raids and that many have been buried in mass graves.

An Iraqi Scud missile strikes central Riyadh, killing 1 person and wounding more than 30. Debris from a Scud intercepted by a Patriot missile falls on Tel Aviv, killing 1 person and injuring 42.

Jan. 26—GBU-15 "smart bombs" dropped by U.S. fighter

planes halt the flow of oil from the Sea Island Terminal into the Gulf.

Jan. 27—In a briefing, General Schwarzkopf says that since the war began, 13 U.S. troops and 12 others from the rest of the multinational force are missing or captured; of the 13 U.S. troops, 7 are listed as prisoners of war. The most recent official Iraqi figures list 90 Iraqi military and 125 Iraqi civilian casualties. Baghdad Radio says more than 170 warplanes from the multinational force have been downed, while the U.S. says the multinational force has lost 24. The U.S. said on January 26 that multinational forces had destroyed 45 Iraqi planes, 22 in the air and 23 on the ground.

Jan. 28—At least 80 Iraqi warplanes—more than 10 percent of the Iraqi air force—have been flown to Iran since January 26, U.S. military officials report. Iran has promised that all Iraqi planes will be impounded and their pilots interned for the duration of the war.

The Saudi government reports that the Sea Island Terminal slick is now 35 miles long and 10 miles wide and contains an estimated 450 million gallons of oil; this makes it the largest oil slick in history.

Jan. 29—About 1,500 Iraqi troops backed by tanks cross the border from Kuwait into Saudi Arabia. U.S. and Saudi troops force most of the Iraqi troops to retreat; a small force of Iraqi troops continues to control parts of Khafji, a small town in Saudi Arabia; at least 11 U.S. marines are killed and 2 wounded, and at least 24 Iraqi tanks are destroyed in fighting.

Baghdad Radio says one of the captured pilots from the multinational force was killed in a multinational forces bombing attack on the Ministry of Industry.

The German government announces that it will contribute \$5.5 billion more to its earlier pledge of \$2.2 billion in aid to the multinational war effort in the Gulf. It says it will also send new air defense systems to Turkey and Israel.

Jan. 31—*The New York Times* reports the resignation of the Italian naval commander in the Gulf, Vice Admiral Mario Buracchia; an Italian magazine has quoted him as having said the U.S. should have shown "a little more wisdom" and given economic sanctions against Iraq time to work before initiating hostilities.

The remaining Iraqi troops in Khafji surrender after a 36-hour battle. According to Lieutenant General Khalid bin Sultan, the commander of the Saudi and Qatari forces who captured the town, more than 200 Iraqis were killed or wounded and about 400 were captured.

One male soldier and one female soldier from a U.S. Army motor transport unit based in Dhahran are listed as missing; this is the 1st time a female soldier in the U.S. armed forces has been officially listed as missing in action.

## United Nations (UN)

(See also *Intl, EC, Persian Gulf Crisis; Israel*)

Jan. 13—UN Secretary General Javier Pérez de Cuéllar ends two days of talks with Iraqi President Saddam Hussein and Foreign Minister Tariq Aziz in Baghdad; de Cuéllar says he brought no "specific proposals" to end the Gulf conflict.

Jan. 16—A UN mission to Sudan that was to have arranged for the shipment of 1.2 million tons of food is delayed at least until February; *The New York Times* reports the delay is related to Sudan's support of Iraq in the Gulf conflict.

## ALBANIA

(See *Greece*)

## ANGOLA

Jan. 23—The government says it has accepted a peace plan to end the 15-year civil war against guerrillas from the Union

for the Total Independence of Angola (UNITA); UNITA leaders say they have agreed to the plan "in principle."

## BANGLADESH

Jan. 26 — The state-owned television station reports that former President H.M. Ershad has been charged with illegal arms possession and has been sent to a special court for trial; Ershad resigned in December.

Jan. 27 — Ershad is charged with receiving kickbacks worth \$8.46 million from a British aerospace company for the government's purchase of 3 aircraft in October, 1990.

## BARBADOS

Jan. 22 — Erskine Sandiford wins a 2d consecutive 5-year term as Prime Minister in today's parliamentary elections; his Democratic Labor party wins 18 of 28 seats in Parliament.

## BELGIUM

(See also *Intl, NATO*)

Jan. 12 — After 4 Belgians held hostage since November, 1987, by Palestinian terrorist Abu Nidal are released, the Belgian government paroled and deported to Libya Said Nasser, a terrorist linked to Abu Nidal; in July, 1980, Nasser threw grenades into a crowd of Jewish schoolchildren in Antwerp. One child was killed in the attack and 19 were injured.

## BOLIVIA

Jan. 10 — The Associated Press reports that Luis Arce Gomez, the minister of interior under Bolivia's military government in the 1980's, was convicted yesterday in a U.S. court in Miami of conspiring to smuggle cocaine into the U.S.; he will be sentenced March 22.

## BRAZIL

Jan. 31 — In an effort to combat inflation, Economy Minister Zélia Cardoso de Mello freezes all prices and wages indefinitely and increases public utility charges; inflation is currently 20 percent a month.

## CANADA

(See *Intl, Group of Seven*)

## CAPE VERDE

Jan. 15 — Prime Minister Pedro Pires resigns; the opposition Movement for Democracy won at least 80 percent of the vote in the January 13 parliamentary elections.

## CHINA

Jan. 5 — In the 1st trials of leaders of the 1989 democracy movement, a court announces that 7 protesters have been sentenced to between 2 and 4 years in prison.

Jan. 21 — Police in Beijing detain and then deport a 7-member international delegation that had come to China to express its concern about the fate of political prisoners.

Jan. 26 — Wang Dan, one of the leaders of the 1989 democracy movement, is sentenced to 4 years in prison; fellow democracy movement leader Ren Wanding receives a 7-year prison term.

Jan. 28 — Jiang Zemin, the General Secretary of the Chinese Communist party, meets with Mongolian People's Revolutionary party Chairman Gombojavyn Ochirbat in Beijing to discuss ways to improve Sino-Mongolian relations; this is the 1st such meeting in 30 years.

## COLOMBIA

Jan. 15 — Jorge Luis Ochoa, the second-ranking leader of the Medellín cocaine cartel, surrenders to Colombian authorities in exchange for lenient treatment and a promise that he will

not be extradited to the U.S.

Jan. 25 — Police raid a Medellín drug cartel hideout in an attempt to free Diana Turbay, the daughter of former President Julio César Turbay, who had been held hostage since August 30; her captors kill her during the battle. The drug cartel declares a renewed state of war against President César Gaviria Trujillo and threatens to kill 2 more hostages.

Jan. 26 — The Revolutionary Workers party says it is ceasing its activities as a rebel group and will become a legal political party.

## EL SALVADOR

(See also *U.S., Foreign Policy*)

Jan. 4 — Farabundo Martí National Liberation Front (FMLN) guerrillas deny a U.S. charge that they killed 3 U.S. military advisers on January 2 after shooting down their helicopter; they claim the men died of wounds suffered when the craft was hit accidentally.

Jan. 6 — The rebels say they will cooperate with any U.S. investigation of the January 2 killings; they say they have begun their own investigation of the incident.

Jan. 21 — The FMLN admits that 2 of its soldiers shot 2 U.S. servicemen whose helicopter was downed on January 2; leaders of the guerrilla group say that the suspected killers will face a public trial.

## FRANCE

(See *Intl, EC, Group of Seven, Persian Gulf Crisis*)

## GERMANY

(See also *Intl, Group of Seven, NATO, Persian Gulf Crisis*)

Jan. 16 — Chancellor Helmut Kohl and his ruling coalition announce a new, 20-member Cabinet.

## GREECE

Jan. 2 — Prime Minister Constantine Mitsotakis declares a state of emergency in the region near Greece's border with Albania; in the last 4 days, more than 3,000 Albanians have crossed into Greece. The Greek government charges that the Albanian government has encouraged ethnic Greeks to leave Albania.

Jan. 13 — Talks between Albanian and Greek leaders in Tirana fail to end tension over the flow of Albanian refugees into Greece; Albania has rejected Greek requests to grant the refugees amnesty, which might encourage them to return to Albania.

## GUATEMALA

Jan. 7 — In presidential elections held today, Jorge Serrano Elías wins by a 2-1 margin over Jorge Carpio Nicolle; Serrano wins 68 percent of the vote and Carpio wins 32 percent.

Jan. 14 — Serrano is sworn into office; this is Guatemala's 1st civilian transfer of power.

## HAITI

Jan. 7 — Roger Lafontant, who led the Tonton Macoute paramilitary force under the dictator Jean-Claude Duvalier, leads an early morning coup attempt to unseat Provisional President Ertha Pascal-Trouillot and to prevent President-elect Jean-Bertrand Aristide from taking office. Loyalist troops storm the presidential palace, freeing the President and arresting Lafontant.

Jan. 8 — Police and troops arrest Lafontant supporters; Lafontant is taken to the national jail to await trial in a civilian court.

Jan. 28 — The army charges that unidentified "subversives" incited yesterday's street protests to destabilize the government; 17 people were killed and 14 were injured in the riots.



**IRAN**(See *Intl, Persian Gulf Crisis*)**IRAQ**(See *Intl, EC, NATO, Persian Gulf Crisis, UN*)**ISRAEL**(See also *Intl, PLO, Persian Gulf Crisis; Lebanon; U.S.S.R.*)

Jan. 1—In the West Bank and Gaza, 4 Palestinian demonstrators are killed in clashes with Israeli troops; the demonstrations marked the 26th anniversary of the 1st military actions by Fatah, the chief guerrilla group of the PLO.

Jan. 8—The government deports to Lebanon 4 Palestinians suspected of being middle-level leaders of Hamas, a fundamentalist Islamic group in the Gaza Strip; the UN and the U.S. have criticized the deportations.

**ITALY**(See *Intl, Group of Seven, NATO, Persian Gulf Crisis*)**JAPAN**(See *Intl, Group of Seven, Persian Gulf Crisis; Korea, North; Korea, South*)**JORDAN**(See also *Intl, Persian Gulf Crisis*)

Jan. 1—King Hussein reorganizes his government, adding 5 anti-Israel Muslim fundamentalist ministers to his Cabinet.

**KOREA, NORTH**

Jan. 30—In the 1st meeting between Japanese and North Korean delegations aimed at establishing diplomatic relations, Japan apologizes to North Korea for its colonial rule between 1910 and 1945; Japan rejects a North Korean demand to pay compensation not only for the period of colonial rule but also for the years between 1945 and 1990, when Japan did not have relations with North Korea.

**KOREA, SOUTH**

Jan. 10—Ending a 2-day visit to Seoul to meet with South Korean President Roh Tae-Woo, Japanese Prime Minister Toshiki Kaifu agrees to end routine fingerprinting of ethnic Koreans living in Japan; he apologizes for colonial rule of Korea.

Jan. 24—In a joint communiqué issued on January 22 at the end of weeklong talks in Seoul and released today, the South Korean government agrees to lend the Soviet Union \$3 billion over 3 years for development projects, including exploration for oil and natural gas in Sakhalin, and for the importation of Korean products; the Soviet government agrees to permit South Korean fishing in Soviet waters.

**KUWAIT**(See *Intl, Persian Gulf Crisis*)**LEBANON**

Jan. 6—Israeli jets attack a guerrilla base in southern Lebanon, which was the headquarters of the Popular Front for the Liberation of Palestine; 1 guerrilla is killed and 6 others are injured.

Jan. 9—In a speech before Parliament, Prime Minister Omar Karami says the government will "dissolve" all armed militias in Lebanon, including Palestinian guerrilla groups in southern Lebanon.

Jan. 11—The leader of the Druse militia, Walid Jumblat, says he is resigning from the Cabinet for personal reasons; he is the 2d of 7 militia leaders to withdraw from the government;

3 other militia leaders were invited to join the Cabinet but have refused.

**LIBERIA**

Jan. 19—After 2 days of peace talks in Monrovia, rival rebel faction leaders Prince Yormie Johnson and Charles Taylor reportedly agree to form a coalition government; Johnson asks for the resignation of interim President Amos Sawyer, who was installed by a West African peacekeeping force in November.

**MONGOLIA**(See *China; U.S., Foreign Policy*)**NORWAY**

Jan. 17—King Olav V, the oldest monarch in Europe, dies after a heart attack; his son, Prince Harald, succeeds to the throne.

**POLAND**

Jan. 4—Parliament approves Jan Krzysztof Bielecki as Prime Minister, replacing Tadeusz Mazowiecki, who resigned in November.

Jan. 12—Parliament approves Bielecki's Cabinet.

**PORTUGAL**

Jan. 13—In national elections held today, Mário Soares is reelected President for a 2d term with about 70 percent of the vote.

**QATAR**(See *Intl, Persian Gulf Crisis*)**RWANDA**

Jan. 23—Reuters reports that a remnant of the rebel force that invaded Rwanda from Uganda in October has invaded again from Uganda and has taken control of a district capital north of Kigali.

**SAUDI ARABIA**(See *Intl, Persian Gulf Crisis*)**SOMALIA**

Jan. 1—For a 3d day rebel forces and government troops clash in Mogadishu, the capital; President Mohammed Siad Barre is reportedly directing the defense of the capital from a fortified bunker at the airport.

Jan. 26—United Somali Congress rebels claim control of Mogadishu; Siad Barre has reportedly fled in a tank. The rebels say they plan to form a "broad-based democratic government," including opposition groups.

**SOUTH AFRICA**

Jan. 12—In Sebokeng, gunmen fire on mourners at a vigil for an organizer of the African National Congress (ANC) who was found dead on January 6; 35 people are killed and 40 are wounded.

Jan. 13—In fighting at a soccer match in Orkney, Transvaal, at least 40 spectators are killed and 50 are injured; the fighting was touched off by a dispute over a referee's decision.

Jan. 29—Nelson Mandela, the leader of the ANC, and Mangosuthu Gatsha Buthelezi, the leader of the Zulu Inkatha movement, meet in Durban; they agree to end the rivalry between their organizations.

**SRI LANKA**

Jan. 1—A cease-fire declared by Tamil guerrillas goes into effect.

**SUDAN**(See *Intl, UN*)**TURKEY**(See *Intl, NATO, Persian Gulf Crisis*)**U.S.S.R.**(See also *Intl, EC; Korea, South; U.S., Foreign Policy*)

Jan. 2—In an interview with the editor of *Moscow News* published today, Eduard Shevardnadze says he resigned as foreign minister on December 20 because he could not justify the use of force to restore order in the country.

In Vilnius, Lithuania, Soviet forces guard Communist party headquarters after republic authorities try to seize the building. Thousands of demonstrators surround the building to protest the army occupation; other groups, mainly ethnic Russians, rally to support the occupation.

Jan. 3—In Moscow, Israel opens its 1st consulate in the Soviet Union in nearly 24 years.

Jan. 6—For the 1st time since 1921, the Eastern Orthodox Christmas holiday is officially recognized and celebrated in the Soviet Union.

Jan. 7—The Defense Ministry announces that it will send paratroopers to Lithuania, Latvia and Estonia to arrest draft resisters and army deserters.

Jan. 8—After a dispute with the Lithuanian republic parliament over political and economic policy, Lithuanian Prime Minister Kazimiera Prunskiene and her Cabinet resign.

Jan. 10—Soviet President Mikhail Gorbachev tells Lithuania to stop defying Soviet authority; he warns of the possibility of direct Soviet control over the republics.

Jan. 11—Using tanks and live ammunition, Soviet soldiers storm 2 buildings occupied by Lithuanian militia in Vilnius; the soldiers close the offices of the independent news agency and black out the main television station; pro-Communist opposition groups in Lithuania, made up mainly of ethnic Russians and Poles, strike and announce the establishment of a national salvation committee.

Jan. 12—Boris Yeltsin, the president of the Russian republic, warns Gorbachev not to use force in Lithuania because it could lead to widespread "civil conflict."

Jan. 13—Soviet troops armed with machine guns and tanks take control of Vilnius; more than 13 people are killed and 100 injured in the takeover. The pro-Communist National Salvation Committee (NSC) declares a curfew, outlaws public gatherings and imposes random identification checks.

In Moscow, thousands of demonstrators protest the crackdown in Lithuania and denounce Gorbachev for using force against unarmed civilians.

Jan. 14—Gorbachev says Lithuanian leaders are to blame for the Soviet military attack; he claims he did not order the attack and found out about it only afterward.

The military sets up checkpoints on roads into Vilnius to block the arrival of independence supporters. Lithuanian President Vytautas Landsbergis refuses to yield power to pro-Communist forces.

Jan. 15—In Vilnius, the NSC calls for direct rule by Gorbachev; it charges that the Lithuanian government is preparing to take military action against supporters of direct Soviet control.

Yeltsin signs a mutual assistance pledge with Baltic republic leaders.

Aleksandr A. Bessmertnykh, a career diplomat and Soviet ambassador to the U.S. since May, 1990, is nominated to succeed Shevardnadze as foreign minister.

Jan. 16—After the media blames him for the crackdown in Lithuania, Gorbachev calls on the Congress of People's Deputies to suspend the law that guarantees freedom of the

press; the Congress supports his proposal authorizing the government to monitor news to ensure "objective coverage."

Jan. 19—Nikolai Y. Petrakov says he resigned as Gorbachev's economic adviser on January 16 because he doubts that Gorbachev will fulfill his pledge to institute a market economy.

The official news agency Tass publishes a statement by a Latvian committee of national salvation declaring that it has assumed power in Latvia and dissolved the republic government; the Latvian government says that it is still in charge.

Jan. 20—In Riga, Latvia, Soviet soldiers in a special forces unit raid a republic government building and occupy it; 4 people are killed in the raid.

In Moscow, more than 100,000 people march to the Kremlin to protest the government crackdown in Lithuania; they accuse Gorbachev of being a dictator and call for him and his ministers in charge of military and state security to resign.

Jan. 21—The Latvian parliament agrees to form self-defense police units that will be staffed by deserters from the Soviet army.

Soviet authorities in Moscow demand that the Latvian government immediately disband "illegal armed units."

Jan. 22—The government announces that it is withdrawing 50- and 100-ruble notes from circulation beginning January 23 in order to reduce speculation, corruption, and smuggling and to stabilize the monetary situation; these notes make up one-third of the Soviet money in circulation.

Jan. 25—The Ministries of Defense and Interior announce that Soviet troops will patrol jointly with the police in several cities beginning February 1.

Jan. 26—Gorbachev issues a presidential decree granting the KGB (secret police) and police the authority to search private businesses and confiscate documents in an effort to curtail "economic sabotage"; the KGB is also given the power to freeze business assets.

**UNITED KINGDOM****Great Britain**(See *Intl, Group of Seven, Persian Gulf Crisis*)**UNITED STATES****Administration**

Jan. 6—The Federal Bureau of Investigation (FBI) says its agents will interview community leaders of Arab descent, seeking information that might avert terrorist activities by Iraqis if war breaks out in the Persian Gulf.

Jan. 22—The governors of the U.S. Postal Service approve "under protest" a rise to 29 cents, instead of 30 cents, in the postal rate for domestic first-class letters; international rates and rates for other classes of mail will also increase.

Jan. 25—President George Bush nominates Representative Edward Madigan (R., Ill.) to be secretary of agriculture.

Jan. 29—President Bush delivers the annual State of the Union address before a joint session of Congress. He says the U.S. is leading the fighting in the Persian Gulf in order to establish permanent peace in the region, not to destroy Iraq. On the domestic front, the President concedes that the "largest peacetime economic expansion in history has been temporarily interrupted." He says he will send Congress proposals that include a tax credit for private research and development; a national energy strategy; a turnover to state control of \$20 billion in federal programs; and the abolition of political action committees (PAC's) that raise campaign funds.

**Economy**

Jan. 1—Three hours after taking office, the new governor of

Rhode Island, Bruce G. Sundlun, orders the closing of 45 banks and credit institutions chartered by the state until they have obtained federal insurance for their deposits.

Jan. 2—The chairman of the President's Council of Economic Advisers, Michael J. Boskin, acknowledges that "the country probably has entered a recession."

The country's largest banks lower their prime lending rate by 0.5 percent, to 9 1/2 percent, the first prime-rate change at most banks since January 8, 1990.

Jan. 6—The U.S. government seizes the Bank of New England to prevent a run on the bank; depositors withdrew more than \$1 billion on January 3 and 4.

The Labor Department reports that the unemployment rate rose 0.2 percent in December to 6.1 percent; this is the highest unemployment rate since mid-1987.

Jan. 16—The Labor Department reports that the consumer price index rose 0.3 percent in December and 6.1 percent for all of 1990; this is the sharpest increase since 1981.

Jan. 17—The price of oil on the New York Mercantile Exchange drops by \$10 a barrel to \$21.44, the largest ever one-day fall in the price of a barrel of oil.

The Dow Jones Industrial Average gains 114.60 points to end the day at 2,623.51 points; this one-day rise is surpassed only by the 186.84-point jump that followed the stock market crash of October, 1987.

Jan. 18—The Commerce Department announces that the U.S. foreign trade deficit fell 12 percent in November to \$9.7 billion.

Jan. 25—The Commerce Department reports that the nation's gross national product (GNP) fell at an annual rate of 2.1 percent in the fourth quarter of 1990. For all of 1990, GNP rose by only 0.9 percent, as compared with 2.5 percent in 1989; this is the smallest increase in GNP since 1982.

Jan. 30—The Commerce Department announces that the government's index of leading economic indicators rose 0.1 percent in December.

Robert Reischauer, director of the Congressional Budget Office, presents to the House Budget Committee his estimate of the federal budget deficit for 1991; he predicts that the deficit will reach \$298 billion, \$77 billion more than the highest deficit ever recorded in the U.S. Reischauer's estimate does not include the cost of the Gulf war.

Jan. 31—L. William Seidman, the chairman of the Federal Deposit Insurance Corporation (FDIC), says at a news conference that "there is no crisis" in the funds available to insure banks against losses; reports have recently suggested that the fund will become insolvent within 2 years.

## Foreign Policy

(See also *Intl, Group of Seven, Persian Gulf Crisis; Bolivia; El Salvador*)

Jan. 3—The Defense Department reports that 3 U.S. airmen whose helicopter was shot down January 2 over El Salvador by guerrillas of the Farabundo Martí National Liberation Front (FMLN) had gunshot wounds to the head.

Jan. 13—President Bush says there was "no justification" for the Soviet army to use force against nationalists in Lithuania; he says this "could not help but affect our relationship" with the Soviet Union.

Jan. 16—President Bush authorizes \$42.5 million in military aid to El Salvador because of human rights and arms violations by Salvadoran FMLN rebels; he delays its release for 60 days, until after March elections for the Salvadoran National Assembly, and to give government-rebel peace talks "every possible chance."

Jan. 21—President Bush again appeals to Soviet leaders "to resist using force in the Baltic states"; yesterday Soviet special forces killed 4 Latvian nationalists in Riga, Latvia.

Jan. 23—Mongolia and the U.S. sign their first trade agreement during Mongolian President Punsalmaagiyn Ochirbat's visit to the U.S.

Jan. 28—In Washington, D.C., Secretary James A. Baker 3d and visiting Soviet Foreign Minister Aleksandr Bessmertnykh announce that the scheduled February 11 summit meeting in Moscow between President Bush and Soviet President Mikhail Gorbachev has been postponed.

Jan. 29—Baker and Bessmertnykh issue a communiqué saying a cease-fire in the Persian Gulf war is possible if Iraq makes "an unequivocal commitment" to leave Kuwait; the communiqué also says that after the war the Soviet Union and the U.S. will try to resolve Middle East conflicts, including the Palestinian question.

Jan. 30—White House officials say that the January 29 communiqué does not contradict President Bush's statement that there will be "no pause for negotiations" during the Gulf war or the administration's rejection of a "linkage" of the Gulf war with the Arab-Israeli dispute.

## Labor and Industry

Jan. 2—The United Steelworkers of America wins a \$415-million mediated settlement from the Continental Can Company; a U.S. district court in Newark had ruled that the company engaged in a scheme to lay off workers just before they qualified for pension benefits.

Jan. 4—Sears, Roebuck and Company announces that it is eliminating 21,000 jobs at its department stores.

Jan. 8—Pan American World Airways files for bankruptcy protection.

Jan. 18—Eastern Airlines, which has been operating under bankruptcy protection laws for 2 years, announces it has stopped flying and will sell its assets.

## Legislation

(See also *Intl, Persian Gulf Crisis*)

Jan. 3—The 102nd Congress convenes.

## Military

Jan. 7—Citing \$2.7-billion cost overruns and production delays, the Defense Department cancels a \$57-billion contract with McDonnell Douglas and General Dynamics for the development of the A-12 Avenger warplane.

Jan. 29—The Defense Department announces the successful interception and destruction by nonexplosive impact of a mock warhead 100 miles out in space in the first test of the "Star Wars" (Strategic Defense Initiative) program.

## Politics

Jan. 25—The Republican National Committee unanimously elects Secretary of Agriculture Clayton K. Yeutter as its chairman, replacing Lee Atwater.

## Science and Space

Jan. 17—The American Medical Association and the American Dental Association recommend that doctors and dentists infected with the virus that causes acquired immune deficiency syndrome (AIDS) notify patients of their condition or stop performing surgery.

## Supreme Court

Jan. 15—In a 5-3 decision, the Supreme Court says school districts may be released from court-ordered busing if they have tried all "practicable" means of desegregating.

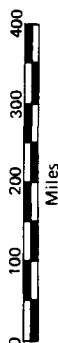
## YUGOSLAVIA

Jan. 21—The central government warns the republic of Croatia that the republic militias must disarm.

Jan. 30—The national government orders the arrest of the Croatian defense minister, Martin Spegelj. ■



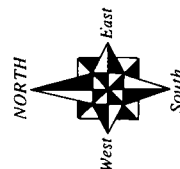
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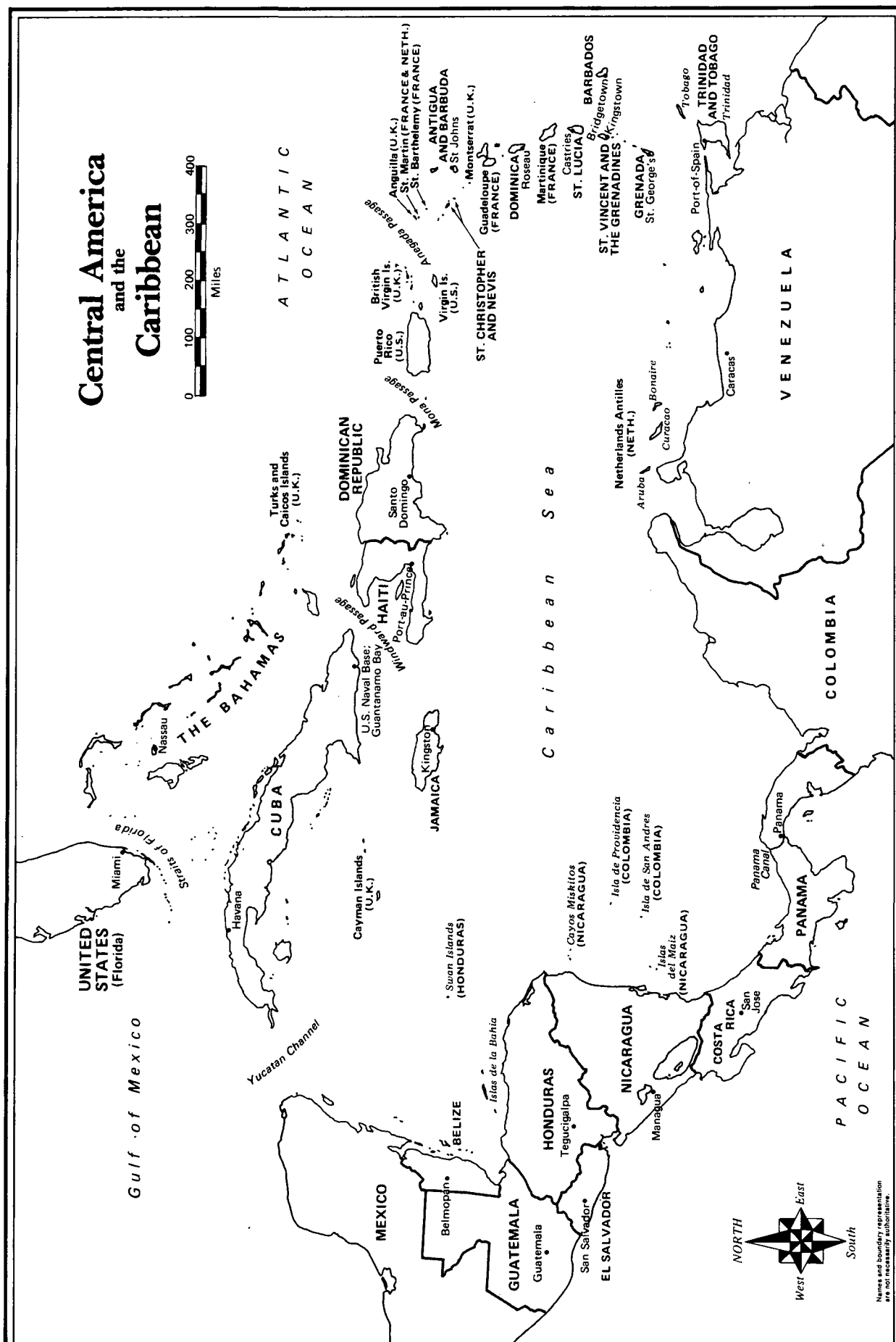
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